



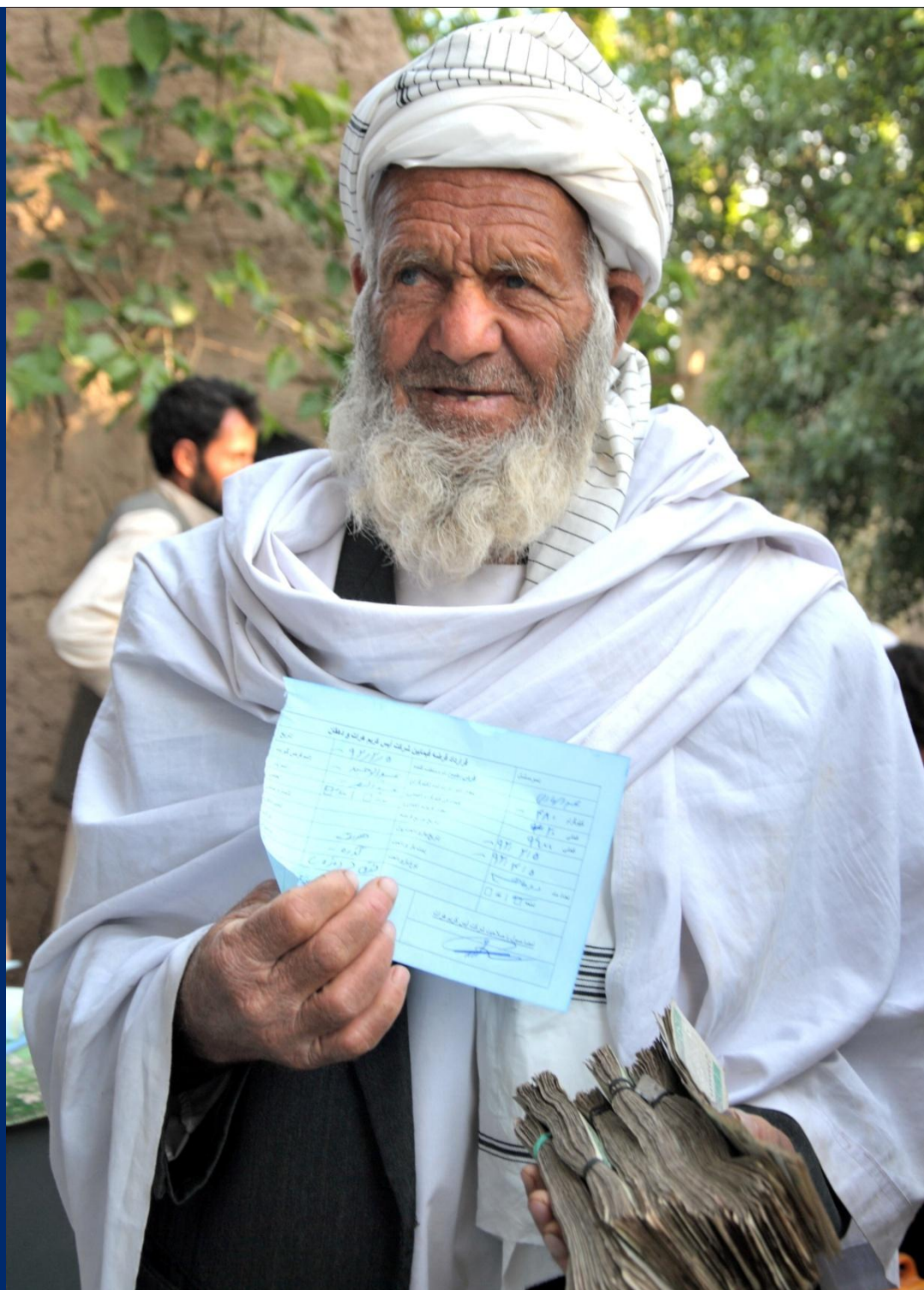
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AFGHANISTAN

AGRICULTURAL CREDIT ENHANCEMENT (ACE) PROGRAM

QUARTERLY REPORT Q2 FY 2013

JANUARY I – MARCH 31, 2013



CASH AND LOAN AGREEMENT IN HAND AND STILL IN DISBELIEF, ONE OF SEVERAL HUNDRED FARMERS WHO RECEIVED CREDIT IN CASH THROUGH HERAT ICE CREAM COMPANY ON THE FIRST DAY OF DISBURSEMENTS. THE ADF LOAN OF US\$1.3 MILLION IS ASSISTING THE COMPANY TO PURCHASE A NEW PRODUCTION LINE AND PROVIDE CREDIT TO 800 FARMERS.

This publication was produced for review by the United States Agency for International Development. It was prepared by the Agricultural Credit Enhancement Program, implemented by Development Alternatives, Inc.

QUARTERLY REPORT

QUARTER 2, FISCAL YEAR 2013

Program Title: Agricultural Credit Enhancement Program

Contract Number: EDH-I-00-05-00004

Contractor: Development Alternatives, Inc.

Date of Submission: April 30, 2013

Contracts Officer Representative: Ali Ahmad

Contracting Officer: Paul Martin

Chief of Party: Juan M. Estrada-Valle

ACE MISSION STATEMENT

ACE will establish and manage the Agricultural Development Fund; a wholesale lending institution under the Ministry of Agriculture, Irrigation and Livestock, making credit available to farmers and agribusiness entrepreneurs through a variety of intermediaries, in an unprecedented effort to revolutionize Afghan agriculture.



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LIST OF ACRONYMS

AAIDO	Afghanistan Almond Industry Development Organization
ACCI	Afghanistan Chamber of Commerce and Industry
ACE	Agricultural Credit Enhancement
ADF	Agricultural Development Fund
AISA	Afghanistan Investment Support Agency
ANSOR	Afghanistan National Seed Organization
AKDN	Aga Khan Development Network
CC	Credit Committee (for the ADF)
CMU	Credit Management Unit
DAB	Da Afghanistan Bank
EPPA	Export Promotion Agency of Afghanistan
FAIDA	Financial Access for Investing in the Development of Afghanistan
FSCAA	Farm Service Center Association of Afghanistan
FTE	Full Term Employment Equivalent
FI	Financial Intermediary
IIFCG	Islamic Investment Finance and Cooperative Group
GDA	Global Development Alliances
GIRoA	Government of the Islamic Republic of Afghanistan
GIS	Geographic Information System
IDEA-NEW	Incentives Driving Economic Alternatives Project
HiH	Hand in Hand Afghanistan
HLP	Horticulture and Livestock Project
QMC	Quality Management Construction Company
LPF	Loan Performer
KMF	Knowledge Management Facility
MAIL	Ministry of Agriculture, Irrigation and Livestock
MoU	Memorandum of Understanding
NFI	Non-financial Intermediary
NSDP	National Skill Development Program
PHDP	Perennial Horticulture Development Project
PMP	Performance Management Plan
SAB	Sharia Advisory Board
TO	Task Order
TRC	Technical Review Committee

FOREWORD

Two and a half years after inception, the ACE program has succeeded in many ways; it pioneered on budget programming with the Ministry of Agriculture, Irrigation and Livestock, and established the ADF, a robust and totally functional financial institution with over 17,000 clients in 30 of Afghanistan's 34 provinces. With a total of US\$64.7 million in loan approvals and US\$26.8 million disbursed the ADF has a strong portfolio with a 4 percent default rate, a remarkable achievement in a context dominated by foreign assistance and in which contract enforcement is prohibitively costly.

ACE is progressively demonstrating the transformational effect that finance can have on the rural communities; supporting both the supply and the demand sides of the agricultural development equation. The loans provided by the ADF are resulting in substantial increases in productivity and total output, while at the same time increasing the effective demand for produce. This balance in the ADF portfolio is what in essence is contributing to the progressive growth of the agricultural value chains and the agriculture sector as a whole.

Faced with the hesitation of Afghan farmers to accept conventional, i.e. interest bearing loans, ACE made substantial investments that allowed the ADF to become the leading institution in Islamic finance in Afghanistan. This is consistent with the contractor's commitment to innovation and excellence in program implementation, transforming challenges into opportunities and going to great lengths to provide farmers with access to finance following the cultural and religious norms of the country.

ACE has also introduced a series of innovations to cater for underserved groups, such as women entrepreneurs. One of such innovations is the Zahra Program, which was initially piloted by the ADF resulting in loans worth over US\$1.2 million. The program will be rolled out through a financial intermediary in the next quarter. With financial products like this, ACE is ensuring that men and women have the same opportunities to participate in and benefit from economic development.

ACE's approach to managing the ADF is based on sound business and economic development theory, a system of total innovation and an uncompromising commitment to excellence. The latter is reflected in the performance of the portfolio, and the growing reputation of the institution, which is also contributing to the legitimacy of the Afghan government.

The ADF, under ACE management is delivering on the development promise, contributing to economic growth and social stability in Afghanistan, while making rational and efficient use of USG funds.

Juan M Estrada-Valle
Chief of Party

A male scientist with a mustache, wearing a white lab coat over a purple and white striped shirt, a grey hairnet, and safety glasses, is working in a laboratory. He is holding two petri dishes with pink agar media. In the background, a biosafety cabinet is open, showing several more petri dishes on a rack inside. The scene is set in a clean, professional laboratory environment.

**Ag
Credit...
Upgrading
competitive
value chains**

EXECUTIVE SUMMARY

The Agricultural Credit Enhancement (ACE) Program has established a robust lending operation that continues to strengthen the private sector in Afghanistan. The project provides access to financial services for agriculture related activities that lead to the expansion of businesses, adoption of advanced crop production technologies, import substitution, and increase the efficiency of agricultural markets. ACE achieved its purpose to establish a healthy ADF loan portfolio and maintain a tight control over defaults, while also offering a variety of Sharia compliant products. These interventions are steadily leading to significant growth in the agricultural sector, while having a tremendous impact in employment and income.

In the last quarter, ACE achieved a net 32 percent increase in the ADF loan portfolio as compared to the previous quarter. Due to the remarkable efforts of the entire team, in the last three months, ACE processed and approved 28 new agricultural loans, worth over US\$15 million. As of March 31st 2013, ACE has a committed loan portfolio of US\$64.7 million in approved loans, US\$26.8 million in disbursements and US\$14 million in repayments. The project has directly benefited 17,115 farmers in 30 provinces of Afghanistan through loans, pre-harvest advances, agricultural tools, inputs on credit, and raw materials.

Despite the significant portfolio growth, ACE has been able to successfully maintain a default rate of approximately 4 percent. Prudent lending practices such as detailed review of personal references, mortgage registration, requests for additional guarantees, and monitoring of financial intermediaries have all contributed towards the low default rate.

To manage the credit risk embedded in the agricultural sector, ACE continues relying on technical innovations. Lack of a bookkeeping culture among agribusiness entrepreneurs presents a constant challenge to process loan applications. To overcome this, ACE designed a financial tool tailored for agriculture-related enterprises that can easily produce financial statements. The tool can be customized to generate more complex financial reports and compute scenario analysis to assess credit risk under different conditions such as changes in prices, sales, and in marketing costs, among others.

ACHIEVEMENTS

JANUARY – MARCH 2013

- ACE, THE FIRST ON BUDGET USAID PROGRAM WITH MAIL, SUCCEEDED IN ESTABLISHING A ROBUST FINANCIAL INSTITUTION.
- THE ADF HAS A LOAN PORTFOLIO OF US\$64.7 MILLION USD, OF WHICH US\$26.8 MILLION HAVE ALREADY BEEN DISBURSED.
- 17,115 FARMERS IN 31 OF AFGHANISTAN'S 34 PROVINCES HAVE ACCESSED CREDIT. THIS NUMBER IS EXPECTED TO REACH 40,000 IN THE NEXT 6 MONTHS.
- THE ADF CONTINUES MAINTAINING A DEFAULT RATE OF 4 PERCENT, BELOW THE 5 PERCENT BENCHMARK, AND CERTAINLY BELOW THE INDUSTRY NORM.
- THE ADF APPROACH TO ISLAMIC FINANCE WAS BROADLY DISSEMINATED BY OVER SIXTEEN MEDIA OUTLETS AND INDUSTRY PUBLICATIONS ACROSS THE WORLD.
- THE ADF'S FEMALE CLIENTELE CONTINUES TO GROW. IN THIS QUARTER THE ADF APPROVED 3 NEW LOANS FEMALE ENTREPRENEURS IN HERAT AND KABUL FOR \$537,000.
- PARTNERED WITH MAIL AND PROVINCIAL DAILS TO ORGANIZE AGRICULTURAL FAIRS ON THE OCCASION OF FARMERS' DAY 2013.
- DESIGNED A FINANCIAL ANALYSIS TOOL FOR AGRIBUSINESSES, WHICH GENERATES FINANCIAL STATEMENTS.
- STARTED USING AN SMS BASED REMINDER SYSTEM TO INFORM ADF BORROWERS ABOUT UPCOMING LOAN PAYMENTS.

In addition to this, ACE launched a SMS reminder system to notify the ADF borrowers of upcoming repayments. The reminder system updates clients on their repayment timeline, notifies them two weeks prior to their repayment date, and reminds them if they fail to pay on time. Similar reminder methods are frequently used by international banks and other credit institutions, which typically send notifications through email. The SMS system, which is designed in collaboration with PAYWAST, a local social network, is easy to operate and has already reduced late payments.

ACE continues ensuring that women have access to agricultural credit. This entails both identifying and pursuing potential clients, as well as developing the capacity of female entrepreneurs to meet ADF eligibility requirements. The latter includes the provision of business training to women cooperatives and associations to improve their business and financial management skills. ACE also provides support to existing clients in the areas of food safety, and marketing. In the last quarter, ACE approved three additional loans worth of \$537,000 USD for female clients in Takhar, Bamyan and Kabul, which will benefit additional 90 women farmers. The project has a total of \$1.2 million in approved loans to women and will soon engage OXUS Afghanistan to launch the Zahra financial program for women for loans below US\$100,000.

In February, Reuters News Agency produced an article about the ACE program and its approach to Islamic finance. The article was published by over 17 international and regional media outlets, including prestigious newspapers such as [The Chicago Tribune](#). Also [The Guardian UK](#) published an article titled "Agricultural credit: delivering the development promise in Afghanistan". Also in March, [Islamic Finance News](#), an industry publication published an article about ADF's Islamic financial products. The articles praised the approach used by the ACE program to operate sustainably in a fragile environment while providing culturally acceptable financial products.

During the Farmers' Day celebration 2013, ACE participated in the agricultural fairs and farmers festivals organized in Kabul, Herat, Mazar-e-Sharif and Jalalabad. The project co-sponsored the activities, and set up business desks to promote the financial services available from the ADF. The team in Herat received an appreciation letter from the governor and the Director of DAIL for their close cooperation with the provincial government in the organization of the regional agricultural fair.

The ADF approved a loan of US\$200,000 to the Ghulghula Agricultural and Livestock Cooperative and a US\$100,000 loan to the Takhar Trader Women Social Organization to provide raw materials on credit to their members, all of them carpet weavers. In the framework of social responsibility, ACE is engaging the Development of Afghan Women Organization (DAWO) and the Chenar Economic and Social Development Organization (CESDO) to provide services to mitigate the health hazards of carpet weavers. This is one of many ways in which ACE is utilizing finance to make carpet weaving and other industries socially responsible.

Component I: Delivery of Credit Services

The delivery of credit services constitutes the core activity of the ACE project. For this purpose, and in the absence of financial institutions interested to engage in agricultural lending, the project primarily partners with non-financial institutions and agribusinesses that on-lend to farmers.

ACTIVITIES UNDER THIS COMPONENT INCLUDE:

- Consolidation of the ADF
- ADF Lending and Credit Operations
- Innovation
- Gender Activities
- ACE and ADF Grants
- Internal Audit and Compliance

“Following 10 years of foreign assistance, Afghan farmers have acquired the knowledge to increase productivity and improve produce, but access to finance was, until recently, a binding constraint. Lack of access to agricultural credit was preventing farmers from putting newly acquired knowledge into practice... Against all odds, the Agricultural Development Fund (ADF) is providing thousands of farmers and agribusinesses with loans for everything from buying certified seed to building farm equipment. What's more, these loans are being paid back at a rate that would make even the most conservative banker jealous”. [The Guardian UK](#)

CONSOLIDATION OF THE ADF

ACE is making significant inroads in consolidating ADF operations and, as the portfolio grows, is transforming the institution into a highly visible, effective and dynamic entity. In the past few months, the focus has been on business expansion by speeding up the loan application process while safeguarding the integrity of the fund. The team is making progress in the establishment of a separate finance department for the ADF. The team finalized the chart of accounts and transferred some of the responsibilities that have been carried out by the Credit Administration Unit to the new ADF finance department. The new ADF Financial Management System will go live in July 1st.

The ADF High Council is now institutionalized as the decision making body and meets on a quarterly basis to discuss strategic matters of the Fund. The ADF structure, human resources and opportunities for other donors to contribute have all been on the agenda thus far. The MAIL views ACE as a fully trusted partner. MAIL fully endorses the business expansion approach adopted by ACE and has been supportive of the policies and procedures introduced by the program. The new procedure of registering the mortgages before the disbursement process, something that was not possible before the ADF was a registered institution, is resulting in minor delays in loan disbursement. The latter is the main reason behind the gap between loan approvals and disbursed amounts. However, ACE is seeking for ways to expedite the process, in agreement with the Provincial Courts.

ADF Lending

During the quarter January - March 2013, the ADF Credit Committee approved 28 agricultural loans worth over US\$15 million. As of March 31st 2013, ACE stands at US\$64.7 million in approved loans, US\$26.8 million in disbursements and US\$14 million in repayments. The ADF has a default rate at 4.0 percent,

which is within globally accepted standards. Figures 1 and 2 below show the monthly trend in ADF approvals, as well as approvals and disbursement trends for the past 7 quarters, respectively. As shown in Figure 1, ACE accomplished the approval of \$10.7 million USD in ADF loans in the month of March alone.

Figure 1: Net ADF loans approved per month

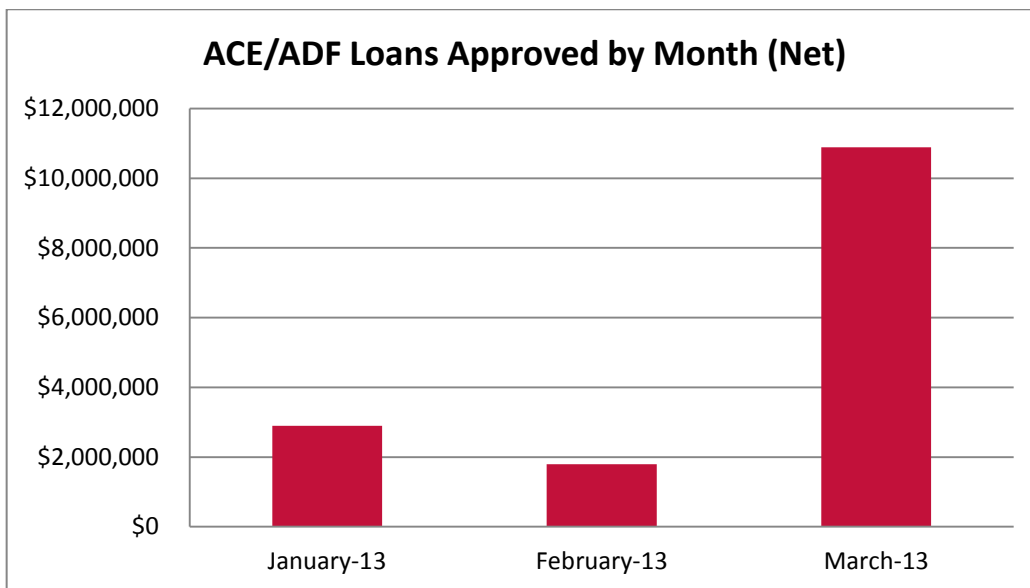
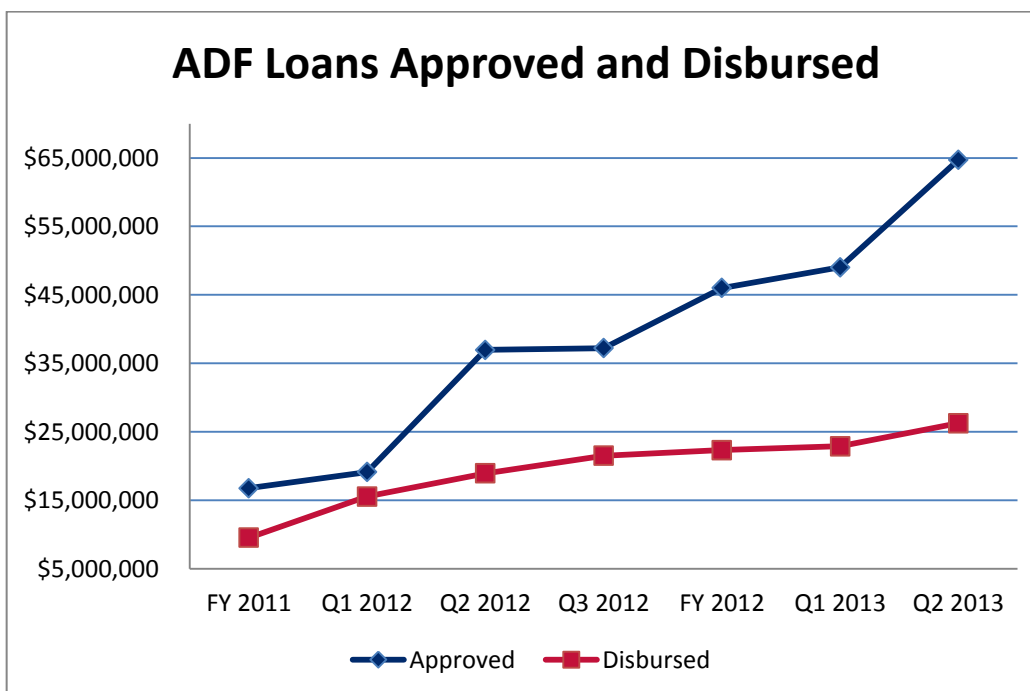


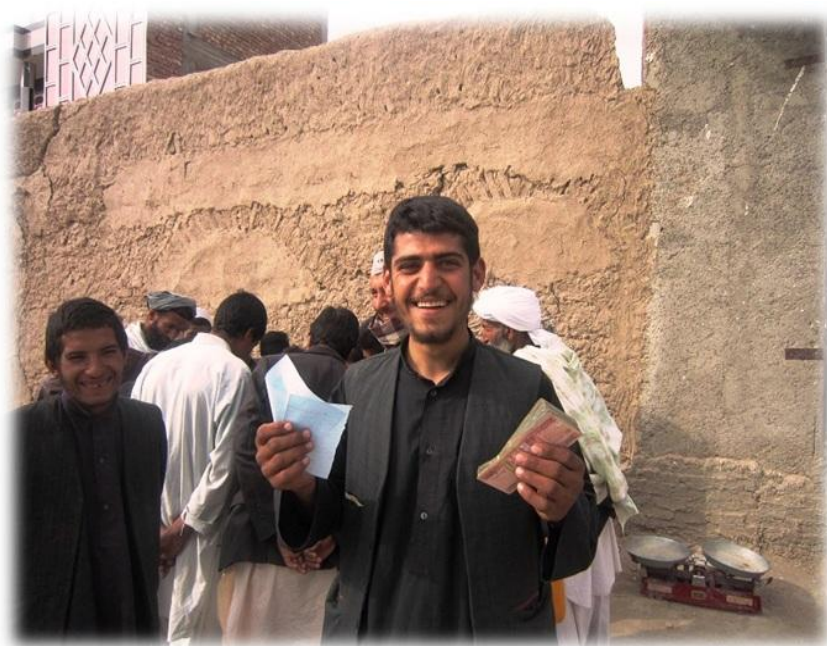
Figure 2: ADF loans approved and disbursed by Quarter



Some of the largest loans approved in the last quarter include:

- US\$1.3 million to the Herat Ice Cream Company to purchase equipment and extend credit to 800 farmers. The repayments will be deducted by the company at the time of the delivery of fluid milk by farmers.

- US\$700,000 to the Heri Biscuit Company to purchase 2,333 MT of wheat directly from 200 farmers and intermediaries;
- US\$1 million to the Shoaib Faisal Rice Processing Company to purchase paddy from 1,500 farmers and extend advance payments to an additional 600 farmers;
- US\$1 million to Hussain Zada Ltd, a leading agri input dealer from Jalalabad, to import fertilizers, which will be sold on credit to 3,100 farmers.
- US\$2 million to the Farah Gostar Company to import solar water pumps and other irrigation equipment which will be sold locally through a network of dealers; and
- US\$2.069 million to 44 potato growers cooperatives in Bamyar province, which will in turn provide seed and fertilizer on credit to their members.



Najibullah Noor Ahmad, from the Murghaw village of Guzara district in Herat, received credit through Herat Ice Cream, an ADF borrower of \$1.3 million USD.

The project executed 16 loan disbursements during the period of January – March 2013 for a total of \$3.9 million USD. These included:

Company/Entity	Disbursed Amount
Clients Sensitive Information	

Credit Operations

As the ADF becomes a more sophisticated financial institution, its credit management systems continue to evolve. Within this context, in the last quarter, ACE introduced a number of measures to strengthen the ADF Credit Administration procedures. These changes included improvements to the loan file checklist, as well as the documents required to disburse loans, with emphasis on the legal processes, among others:

- Requirement of Qabala title deeds
- Loan Agreement (new template)

- Promissory Note
- Mandatory personal Guarantees
- Collateral Agreement
- Third Party Guarantee
- Corporate Guarantee
- Letter of Hypothecation
- Facility Acceptance Letter
- Accounts Receivable Assignment
- Property Evaluations (reviewed by legal counsel)

It is important to note that the legal documents needed for each individual loan differ based on the type of loan, and the type of collateral offered by the client. Thus, the ADF involves the legal counsel as early as possible in the process to advise on the legal requirements specific to each loan.

Innovation and Islamic Finance

According to ACE's experience, the majority of the companies operating in the agricultural sector in Afghanistan are unable to produce balance sheets, income statements, equity statements, as well as equity statements, mainly due to the absence of bookkeeping systems. This poses a serious challenge to the ADF when processing loan applications, and often results in a prolonged and inefficient process.

To overcome this, ACE designed a financial analysis tool for agribusinesses which given certain basic input, is able to generate financial statements. In the first stage, the team designed a tool for agricultural traders and food processing companies, which represent the largest portion of the ADF clients.

In a user-friendly ACCESS-based interface, the lending officers are only required to enter basic information such as sales, cost of goods sold, expenses, accounts receivables, accounts payable and asset values to generate simple statements for small companies. The financial tool also gives the option to generate more elaborate financial statements for more sophisticated companies. The tool includes a sensitivity analysis to assess credit risk under different conditions such as changes in prices, sales volumes, and marketing costs among others.

This innovation will enable the ADF to produce financial statements for agribusinesses, which would otherwise be unable to provide proof of financial performance. Additionally, the tool can also be adapted and shared with other development projects and financial institutions across the developing world.

The absence of credit collection agencies is a vacuum in the financial sector that is also affecting the ADF. ACE has issued several requests for proposals, seeking to identify companies engaged in the provision of



Left: Recipients of fertilizer on credit through a line of credit provided to AAIDO in Balkh province. Right: Prior to the loan disbursement for 2013, AAIDO CMU staff handed over certificates acknowledging those farmers who paid their 2012 loans on time

business development services and which could be supported to develop a parallel line of business. Unfortunately none of the proposals submitted until now are acceptable. Meanwhile

ACE senior management has taken up the responsibility of collecting problem loans, which has in some cases required executing arrest warrants against the principals of client companies. While these actions have proven effective in debt recovery, they have a high personal security risk.

AT the end of March, ACE launched an SMS system to notify the ADF borrowers of their upcoming repayments on a regular basis as well as send a daily message to the clients who are past due on their loans. This initiative was implemented in collaboration with PAYWAST, an innovative social network, which enables ACE to send alerts and reminders to the ADF clients before the repayment date. PAYWAST operates with all mobile networks such as MTN, AWCC, Etisalat, Afghan Telecom, except for Roshan. To notify the ADF borrowers using the Roshan network, ACE designed another in-house system using a GSM data modem with software which has the ability to send individual messages as well as group messages. Both systems can send SMSs in Dari, Pashto and English at various time intervals: two weeks before the due date, one week before the due date, one day before the due date, on the day of the payment and every day after the due date, should the loan not be repaid on time.

To encourage the Afghan technical staff to engage in solving strategic issues affecting the efficiency of the ADF by thinking out the box, ACE initiated a series of monthly "Innovation Challenges".

Senior Afghan Staff across the different units of the project are given a specific challenge to overcome – such as: "propose a logical, stepwise and culturally acceptable process to ensure the timely collection of loans," or "measures to be more effective in extending credit to women". The team presents their ideas organized in groups, using a variety of media.

Typically, the presentations take place towards the end of each month and ideas are presented in plenary sessions to the entire staff. One of the first outcomes was the idea to use SMS to remind ADF clients



Innovation Challenge presentation by ADF staff

of their upcoming payments.

CREDIT MANAGEMENT UNITS (CMU)

On March 15th, ACE established a Credit Management Unit (CMU) for the Farm Service Center Association of Afghanistan (FSCAA), with the purpose of managing a US\$3 million line of credit. Individual farm service members will apply to the umbrella organization, FSCAA, for



AAIDO CMU staff discussing on-lending opportunities with several beekeepers in the Balkh province. AAIDO is benefiting from a revolving line of credit of \$800,000 from the ADF to provide agricultural inputs to farmers in the northern region.

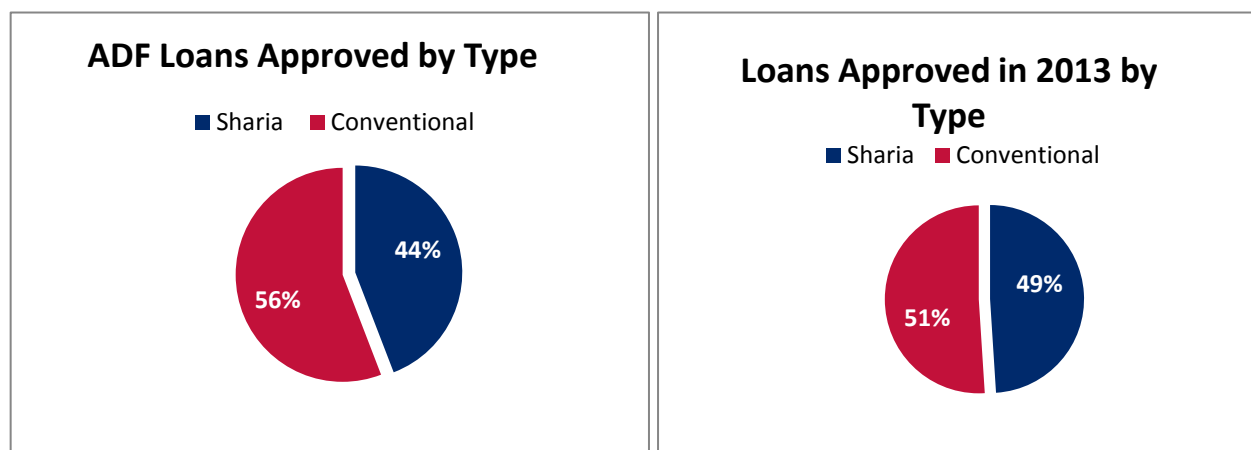
ADF credit. The current structure of the FSCAA CMU consists of a CMU Manager and one loan officer, which are the minimum requirements to start the screening of applications and process disbursements and collections. The team will hire an additional loan officer the future. The CMU commenced operations with an appraisal of the loan application submitted by Kunduz FSC. Other farm service centers have expressed interest and the CMU will process their applications in the next two months.

The ADF decided to implement the Smart Card program with 1,700 farmers of the Afghanistan Almond Industry Development Program (AAIDO) in Kunduz, Balkh, Samangan and Takhar Provinces. In the first stage, by the end of April, ADF and AAIDO will launch the smart card initiative in Kunduz province, and then expand it to the rest of provinces. The farmers in Kunduz will be provided with smart cards and they will purchase the agricultural inputs as needed according to the card agreement. They will repay AAIDO at the end of the harvest time by crediting the card. The smart card system uses low cost software and hardware at the points of sale, and smart cards can only be used to purchase agricultural inputs from predetermined stores.

Islamic Finance

Of the total ADF portfolio, 44 percent consists of Sharia compliant loans, the most frequent being Murabaha and Wakala. Of the loans approved in 2013, about 49 percent are conventional loans whereas the remaining loans were Islamic. In the last quarter, the team reviewed the current transactions and prepared the Sharia negotiation documents for the loans recently approved. ACE visited the Herat Capable Women Association to call on the facilities and discuss the Wakala agreement with the client prior to approval. The client expressed satisfaction with the transaction and signed the documentation.

Graph No 3 and 4. Loan approved by loan type (Sharia and Conventional)



On February 12, the Sharia Advisory Board (SAB) held its third meeting to review and approve its Audit Manual. The audit manual is one of the core documents based on which the financial products and their transactions will be audited. The team also reviewed the Afghan Debt Collection Law (No. 441) which applies to the ADF, given the Fund's statute a government organization. The Sharia lending advisors agreed that the ADF can hand over the collection of any debts to the Afghan government and ultimately the police.

ACE GENDER PROGRAM

The ACE program continues to make every possible effort to ensure that men and women entrepreneurs have equal access to agricultural finance. This derives from the notion that agricultural finance has the potential to enable women engaged in farming and other agribusiness activities to put agriculture-related knowledge in practice and participate in and benefit from economic growth.

As of March 31st, ACE has received ADF Credit Committee approval for seven loans to women, for a total value of \$1.22 million USD. ACE has directly benefited 288 women farmers from the beginning of the project. Given women face serious issues with collateral, the loans to women represent a significant amount.

The loans approved during this quarter included:

- The Fine Food Factory processes and produces various types of baked products such as breads, pastries, cookies, bagels and crackers.. They sell their products to large supermarkets such as Finest, Superstores, and numerous retail stores in Kabul. Fine Food is a family business managed by two female investors, Shamsia and Razia who cater to affluent Afghans and expatriates living in Kabul. The loan of US\$100,000 will be use to purchase a complete baking production line, vehicles for the distribution of products and raw materials.
- The Herat Capable Women Association produces 32 different kinds of products such as jams, juices, tomato paste, pickles and dried fruits and vegetables. With the ADF loan of \$187,000, the company will purchase raw materials and packaging materials for its 20 women food processing centers to increase their production and expand the businesses.
- The Afghan Women Saffron Grower Association is a community based entity whose members – all women – are mostly based in the Ghoryan district of Herat province. The association has 979 members, of which 480 are involved in saffron production. The association received an ADF loan of US\$155,000 last year which was successfully managed and repaid on time. The new loan of \$250,000 will be used to purchase saffron and saffron flower from female growers to process, package and then sell it. The loan will provide an opportunity for female growers to sell their saffron at a higher price.

Table 1: ADF Loans to Women

No.	Client	Type	Province	Loan Amount
Clients Sensitive Information				

Over the reporting period, the project supported members of seven women cooperatives from Balkh, Takhar, Kunduz, Badakhshan, Herat, Parwan and Nangarhar provinces to participate in an exposure visit and training program in India. Hand-in-Hand Afghanistan (HiH-Af), in partnership with HiH-India, facilitated a ten day training and exposure visit in Chennai, Kanchipuram of India from December 29, 2012 – January 7, 2013. The participants had the opportunity to visit some of the women-owned businesses and self-help groups to acquire practical knowledge. The exposure visits included: a field visit to the Self Help Group Board Meeting; a women-owned crisp bakery; Kilperamanallur Dairy Processing; greenhouse projects; weaving; a Dairy Cooperative; and a Dairy Processing Factory in Chennai, India.



Members of 7 women cooperatives and three staff from Hand in Hand–Afghanistan (business mentors) during the exposure visit that took place from December 29, 2012 – January 7, 2013 in Chennai, Kanchipuram, India.

In early March, ACE held a Women Gathering Shura at the HiH office in Mazar-e-Sharif. The participants of the Shura were the leaders and members of the female and male Self Help Groups from Kaldar, Marmul and Shulgara districts of Balkh province. A Self Help Group is composed of 15 female or male farmers in the districts. There are several Self Help Groups in each district. The farmers of these groups are involved in different agriculture and livestock businesses. During this gathering, the project explained the goals and mission of the ADF as well as the credit products the ADF offers to its clients. At the end of the workshop, the participants expressed their interest in applying for credit from the ADF.



View from the International Women Day's celebration in the ACE office with the participation from MAIL and women cooperatives.

In February, the team organized an Agricultural Credit Shura event in Herat for women farmers and entrepreneurs. Mrs. Jamshidi, Director of Women's Affairs, and Mr. Faqir Ahmad Bahangar, DAIL Director, delivered the opening remarks at the event. After which, the ACE team presented the ADF lending opportunities, specifically the Zahra loan product designed for women. Mrs. Sima Ghoryani, the head of Ghoryan Women Saffron Association (GWSA), one of the ADF female clients, spoke about her experience working in the agricultural sector, the women farmers she currently works with in Ghoryan district, and advantages her association gained from their ADF loan. Other participants included a representative from the Herat Capable Women Association and the head of the Herat Women' Market. Mrs. Mansoori also spoke at the event. Overall, over 40 women representatives of FAO, DAIL, women cooperatives and agricultural entrepreneurs attended the event. This event was also covered in the local media. The team also met with the Farah DAIL and USAID representatives to discuss future business opportunities in this province.

On March 10th, ACE celebrated International Women's Day with staff, clients, guests from USAID and the Ministry of Agriculture, Irrigation, and Livestock (MAIL). Five cooperative representatives also attended. All of the cooperative attendees were from ADF's women's

cooperatives capacity building pilot in partnership with the MAIL Home Economics department and the UNDP gender program. The women cooperative representatives shared their experience with the study tour and self-help groups in India with the participants. In her speech, the Director of MAIL Home Economics Department, Mrs. Nazira Rahman, emphasized the support given by ACE in empowering women, especially women-owned cooperatives, and the benefits of involving Hand-in-Hand (HiH) Afghanistan.



Left: View from the Agricultural Credit Shura for Women Entrepreneurs in Herat Province. Right: ACE meeting with the Farah DAIL and PRT staff in the ADF Herat regional office.

ACE and ADF GRANTS:

The ACE and ADF grants have proven to be instrumental in helping the ADF clients succeed in their business operations. ACE Agricultural Modernization Grants cater typically to the demand of the ADF borrowers to introduce new technology, upgrade their marketing strategy, and acquire new packaging and labeling machinery. Challenge grants are designed to assist participating intermediaries such as farmers associations and cooperatives that do not necessarily have the required experience to manage a loan or a line of credit to farmers. A good example of this intervention would be the Credit Management Units,



Left and Right: View from the Grants training to the Tanin Herat Industrial Food Company.

established for several ADF borrowers such as ANSOR, AAIDO and FSCAA. Innovation grants are intended to support the launching of a new system such as the smart card program or the mobile money technology.

In the last quarter, ACE approved one Agricultural Modernization grant agreement for the Qarizada Tomato Paste Production Company for \$32,380. The grant will support the client to upgrade their brand image (currently the client trades their tomato paste under the brands of Salim and Umulbelad), and improve their hygiene and safety measures for their employees. The client is an ADF borrower of \$1.25 million USD to expand their overall tomato paste business.

During the reporting period, the team worked on several new grants proposals such as:

- A concept note for an Agricultural Modernization Grant for Habib Omid Co. Ltd. to improve the packaging of cashmere fibers, design and production of promotional materials, as well as to finance

- the technical assistance of the company in the process;
- A concept note for an Agricultural Modernization Grants to Sudais Saud Co. Ltd. to fund technical assistance and marketing support in order to improve the production and promote their final products.
- A revised grant application for the Farm Service Center Association of Afghanistan (FSCAA) to establish a Credit Management Unit to manage the ADF loan to the association. The CMU will work within the association to disburse loans to the eligible members of the association and complete timely collection.

Table 2: Technical Assistance to ACE and ADF Grantees

Grants Management and Report Writing Training			
No	Organization	Training	No of participants
1	Dehqan Roz	Grants Management and Report Writing Training	2
2	Ghoryan Women's Saffron Association (GWSA)	Grants Management and Report Writing Training	2
3	Javed Afghan Thresher Company	Grants Management and Report Writing Training	2
4	Rana Seeds Company	Grants Management and Report Writing Training	2
5	Tanin Hirat Food Industrial Company	Grants Management and Report Writing Training	3

- A concept note for Hussain Zada Ltd., an ADF borrower of \$1 million USD to import DAP fertilizer from China, is underway. The purpose of the grant is to support the marketing of the DAP fertilizer which will be under a new brand, to enable the client to promote and introduce their new brand with a reasonable price around the country. This will consist of supporting Husain Zada Ltd with promotional activities such as Labels (brand on the bags), TV advertisements, brochures, posters, banners and billboards as well as their brand launching ceremony in Kabul.
- A concept note for OXUS Afghanistan, a microcredit institution that has grown tremendously in the past years. Once the ADF loan to OXUS is approved, ACE is looking into supporting the company by opening a branch office in Bamyan; building the capacity of their senior staff and assisting them in product development for the agricultural sector. This will include a financial product designed specifically for 1) the livestock sub-sector, and 2) a financial product designed for women borrowers.
- Two grant proposals for the Development of Afghan Women Organization (DAWO) and Chenar Economic and Social Development Organization (CESDO) to mitigate the potential health and social risks related to carpet weaving for two ADF borrowers, Ghulghula Agricultural and Livestock Cooperative and Takhar Trader Women Social Organization. The grant will introduce substantial improvements to the working conditions of women engaged in carpet weaving as well as mitigate any potential health risks through medical checkups and preventive measures.

Throughout the past months, the team conducted site visits to provide training and technical assistance to the ACE and ADF grantees to ensure that the grant funds are utilized in compliance with the grant agreements. The team visited Dehqan Roz, the Ghoryan Women Saffron Association, Javed Afghan Thresher Company, Rana Seeds Company and Tanin Hirat Company to conduct a grant review and develop an action plan for the grant activities. The team participated in the field demonstrations organized by QCM Company in different provinces of Afghanistan (see Component 2).

Internal Audit and Compliance

During the reporting period, the internal audit and compliance unit audited the reconciliation of ADF loan records in the MicroBanker financial system. The team conducted the Sharia loan annual review during which ACE audited the Sharia loans disbursed between April and December 2012 and prepared the ADF Internal Audit Manual.

To assess the loan utilization by the ADF borrowers, ACE completed audit assessments for several ADF clients such as: Afghanistan Almond Industry Development Organization (AAIDO), the AAIDO Exporters' loan, Apple Association, Afghan Rice Mill, Tanin Herat Industrial Food Company, Rana Seeds and Agribusiness Company (loan and grant), the Islamic Investment Finance Cooperative Group, Sayed Ahmad Khushakyar and Laghman Farm Service Center. ACE visited the clients in the field to assess the repayment process, reviewed the credit files and discussed all these matters with the clients.

Table 3: Audit reports

Audit Assessments conducted in Q1 FY'13		
No	Client	Status of the Loan
1	Audit of AAIDO Exporters Loan	Disbursed
2	Audit of AAIDO Second Loan Repayment	Disbursed
3	Audit of Saib Group (Apple Association) Loan	Disbursed
4	Audit of Afghan Rice Mill Company	Disbursed
5	Audit of Laghman FSC Loan	Disbursed
6	Audit of Qarizada Tomato Paste Production Company Loan	Disbursed
7	Audit of RANA Seeds and Agribusiness Company - Standard Grant for Pilot Soybean Program	ADF Grant
8	ADF Sharia Loan Annual Review	Loans Disbursed Between April – Dec 2012

Table 4: ACE/ADF Grants

No	Business Name	Province	Grant Purpose	Grant Type			Grant Period		Total \$Approved	Disbursed \$ value	% Paid
				ADF		ACE	Start Date	End Date			
				Challenge	Innovation	Ag Modernization					

TABLE 5: ADF LOANS APPROVED AND DISBURSED TO END BENEFICIARIES

SN	Borrower	Loan Type - NFI, FI, or Agribusiness	Approved	Province	\$ Loans Approved by MAIL & USAID*	Disbursed Loan Amount	Repaid Loan Amount (with interest)	Direct Beneficiaries	Status
Clients Sensitive Information									

TABLE 6 ADF PIPELINE

Loan Pipeline Tracker Report						
<u>Borrower</u>	<u>Loan Type FI, Direct, NFI</u>	<u>Loan amount requested</u>	<u>Province</u>	<u>Category</u>	<u>Loan Application Stage</u>	<u>Notes and Comments</u>
Clients Sensitive Information						

Component 2: Agricultural Modernization and Value Chain Development

The purpose of ACE's Value-Chain strengthening unit is to provide technical support to the lending operations as well as to ADF clients. The unit leads the technical assessment of production; processing and marketing activities proposed by loan applicants and also provides technical assistance to ADF borrowers.

In the reporting quarter, the agricultural value chain strengthening unit supported the overall objectives of the program through three complementary activities:

- 1) Conducted technical reviews for the ADF loan applications
- 2) Promoted increased market opportunities for Afghan agricultural products through regional agricultural fairs
- 3) Provided technical assistance to ADF clients, especially through ACE agricultural modernization grants, to help Afghan entrepreneurs succeed in their business, and conduct technical reviews for the ADF loans and offer value chain technical assistance

1. Promote Increased Market Opportunities

ACE continues to support MAIL in organizing agricultural events across the county. These activities facilitate large outreach and high visibility for the ADF, as well as offer a chance to meet prospective clients. In March, ACE participated in and co-sponsored the Agricultural Fair in Kabul with an ADF booth to inform prospective agribusiness entrepreneurs of ADF financial opportunities. The ADF lending and



Left and Right: View from the ADF booth during the Farmers' Day celebration organized in Mazar-e-Sharif with ADF's sponsorship.

value chain strengthening officers visited other booths to explore business opportunities. In the north, ACE participated in the agricultural fair organized for the occasion of Farmers' Day, in close coordination with the Balkh DAIL and other development projects and international donors. The event took place on March 26 with the participation of over 600 farmers, agribusiness representatives, livestock owners, seed enterprise representatives, agricultural cooperative members and farmer associations. In addition, ACE participated with an ADF booth in a four-day trade fair organized by the Afghanistan Chamber of Commerce and Industry in Balkh where the team had a chance to introduce the ADF lending opportunities and financial services available. In Herat, the farmers' day celebration took place on March 24th. The ACE team received an appreciation letter from the Governor of Herat and DAIL director, acknowledging the ADF as a major partner and sponsor for Herat activities.



Left: The ACE team in Heart receiving an appreciation letter from Heart DAIL director and provincial governor. Right: The Nangarhar DAIL director and provincial governor visiting the ADF booth during the Jalalabad Ag Fair.

In Jalalabad, the team participated in the Farmers' Day celebration with an ADF booth. The Governor of Nangarhar and the DAIL director both visited the booth, appreciating the access to the agricultural credit created by the ADF.

2. Technical Assistance to the ADF Clients

Providing technical assistance to the ADF borrowers is one of the main pillars of the value chain strengthening unit's work. As a way to support the demonstration of new technology and manage the risks inherent to the adoption of this intervention, ACE has provided a grant to the Quality Management Construction (QMC) Company to demonstrate solar irrigation systems to advanced farmers across the Northern and Eastern region. The QMC Company conducted solar pump irrigation demonstrations in Ghazni, Balkh and Samangan provinces in the past quarter, where they invited many farmers to the demonstration of this technology. The activity attracted several other farmers who were interested in purchasing the system. ACE and AAIDO are currently working with the QMC Company to design an ADF loan to cater to farmers' demand for solar powered irrigation systems. In this scenario, ACE not only demonstrates a new technology for land irrigation, but also provides potential access to ADF financial services to purchase this technology.



Left: View from the solar pump irrigation system's demonstrations in the Baharistan district of Samangan province. ACE is supporting this activity through a grant to the QMC Company. Right: View from the field demonstrations of the QMC Company in Khwaja Wali Village, Sultan District of Balkh province.

ACE assisted the Rana Seeds Company in organizing a Soybean Value Chain Workshop in Jalalabad, which was conducted under ACE's Agricultural Modernization Grant contribution. The director of the Nangarhar DAIL appreciated this effort and requested that all participants coordinate their activities related to soybean production and marketing and work closely with the farmers to increase the soybean cultivation and production in the country. The Rana Seeds Company requested that DAIL staff, NGOs and farmers' associations look into the opportunity to establish a working group which would work together to enhance soybean production as well as find viable market for soybean products.

Lending to the agricultural sector in Afghanistan, where on average production is lower than in the neighboring countries, agricultural inputs are expensive, transportation costs are high, and sorting, packaging and marketing activities still need to pick up. All of this requires a very strong agricultural expertise. To fulfill this purpose, the ACE value chain strengthening team works closely with borrowers to ensure that despite risks related to agriculture, the ADF clients can succeed. In the past quarter, ACE assisted the following companies:

- Afghan Rice Mill in Jalalabad, a recipient of an Agricultural Modernization Grant. The team visited the client to verify the arrival of two machines, a rice polisher and a packing bin, purchased through the grant. The client hired three specialists from the manufacturing company in Pakistan to install the machinery. The client then started processing about 120 MT of rice, purchased through several dealers in Jalalabad. Under the same grant, the client will produce promotional materials such as billboards, posters, banners and brochures for the company.
- The Javed Afghan Wheat Thresher Company organized wheat thresher field demonstrations in Laghman, Kunduz, Balkh and Faryab provinces through an ACE grant. The team monitored several of their field demonstrations and followed up on other activities funded by the grant. The client will also install two billboards in Mazar-e-Sharif and Kunduz and broadcast TV advertisements on one of the national TV channels. The team completed the financial review for the grant to the Javid Afghan Thresher Company and provided technical assistance on grant management and reporting to the team.



Left & Right: View from the Solar Powered Irrigation demonstration held in Ghazni Province conducted under an ACE agricultural modernization grant to AAIDO.

- The Ghulam Dastagir Food Processing Company (Shamshad Noodles), an ADF borrower and ACE grant recipient purchased flour mixer machinery with the grant funding. The team followed up on the establishment of two noodle drying houses to improve the hygiene conditions of the drying process. A contract was also signed with the Sky Blue Company, which will start the installation of the plastic drying houses in the next month.

- The Dehqan Roz Company grant co-funds technical assistance for quality control and marketing, training of personnel on hygiene and food safety, purchasing quality control laboratory equipment and marketing support such as the design and printing of the promotional materials including banners, posters billboards and TV advertisements.
- Under the ACE Grant agreement with the Sayel Food Processing Company, ACE signed a contract with the Multi Tech Engineering Company to supply an automatic potato chip packing machine, weighing machine, potato chips conveyor/elevator machine, potato slice washer and blancher machine to the Sayel Company. The team made the first payment of \$10,716 to the company based on contract deliverables. The remaining payments will be released upon the confirmation from the client of the machinery receipt. ACE, in collaboration with the Nangarhar University Agricultural Faculty, designed a training curriculum on personal hygiene and food safety for ADF clients. The representatives of Shamshad Noodle and Sayel Food Processing Company in Nangarhar will be the first to attend this training.

The team also assisted Salahe Daikundiwal with the establishment of two modern greenhouses, the Sanaizada Edible Oil Company with the design of promotional materials and TV advertisements, and the Quality Management Construction (QMC) Solar Company. The project finalized two concept notes for two new ACE Agricultural Modernization Grants for ADF clients. The grant for Habib Omid Co. Ltd will focus on improving the packaging of cashmere fibers, as well as supporting the production of promotional materials and technical assistance to the company. The grant for Sodais Saud Trading Company will provide technical assistance and marketing support to the client to improve production and promote their final products.

In the last quarter, due to the large volume of ADF loans being processed, the team completed the agricultural value chain technical reviews for all the ADF loans approved. Some of the loans being currently reviewed include:

- Akhonzada Labanyat, dairy business in Kandahar city that currently produces and processes 2,880 liters of milk per day;
- The Razi Agricultural and Animal husbandry Services Farm in Herat is interested an ADF loan of \$200,000. The farm has a capacity to handle 100 milking cows, however, currently they only have 20 milking cows which produce about 300 liters of milk daily.
- Paktika Orgun Pine Nuts Association, in Paktika province, is interested in a loan of \$300,000 to provide advance payments to pine nuts collector in Orgun district and then purchase the pine nuts during and after the harvest time.;
- The Hikmat Feed production company, operates in Kandahar province and has applied for ADF loan of \$300,000 to purchase the processing line (machineries) and to install 12 Ag-depots in order to improve and increase their feed production capacity;
- Attaye Ltd (Dried Fruit Export Business) exports dried fruit and medical crops from south region especially from Kandahar province. The client is interested to purchase dried apricot (50Mt) and Cumin Seed (20MT) from farmers and the local wholesale market in Kandahar province and then process (clean, sort, grad and pack) and export it to Indian markets (Delhi and Mumbai).

3. Coordination

In the past quarter, ACE spent significant effort coordinating with other development projects and MAIL units. The team worked with IDEA-NEW Jalalabad and Mazar-e-Sharif teams in coordinating their value chain activities and discussing concrete areas for collaboration. As a result, the IDEA-NEW team will assist eight Afghan Businesses in the development of business plans that will meet ADF loan eligibility criteria and in the development of Business Strategies for four existing ADF clients to up-grade their business performance to increase their capability to repay the loans on time. The ACE team presented the value chain approach adopted by the project to the IDEA-NEW staff.

On January 1st, ACE participated in the Economic Growth Investors' Meeting held in Wardak province where the focus was on the establishment of an industrial park in this province. Approximately 65 participants, including the provincial governor, Mr. Abdul Majeed Khogayani, heads of provincial directorates, agribusinesses, investors, traders, and women working in handicraft attended the meeting. The ACE team briefed the participants on the ADF lending opportunities, Islamic products, loan policy and procedures and answered the questions of the participants.

The National Skill Development Program (NSDP) at the Ministry of Labor is working to develop occupational standards for different food processing levels. The project has started with the dairy processing sector and is currently focusing on the edible oil processing sector. NSDP requested the participation of ACE in a session working on two occupational standards in edible oil processing, i.e. Edible Oil Processing Technician and Edible Oil Processing Supervisor. The staff that participated in this session reviewed the occupational standards and provided input to the NSDP for improvement of the standards. The final version of these occupational standards will be shared with the Ministry of Education Technical and Vocational Directorate to develop curricula for these standards.

ACE met with the Director of Cooperatives Department from the Nangarhar DAIL to discuss the establishment of an association comprising 18 existing cooperatives in Rodat District of Nangarhar Province, which are currently interested in an ADF loan. The Association would then be able to apply for an ADF loan to increase agricultural products in the region, particularly onions.

The ACE team participated in the Certified Wheat Seed Production and Planning Workshop organized by Food and Agricultural Organization (FAO) and MAIL. The event brought together players from the private and public sectors to discuss how to complete the transition process of the seed certification project from FAO to MAIL as well as to find donors interested to support such projects. Among the participants were the Head of European Union, representatives of ANSOR Seed Enterprises, DAIL and MAIL representatives.



View from one of the ACE team trips to Balkh province, visiting livestock businesses.

Component 3: Coordination and Knowledge Management

The Knowledge Management Component aims at integrating production and market information currently being generated by an array of organizations, and transforming it into market intelligence applicable to diverse audiences within the agriculture sector, while building the capacity of MAIL staff to manage the system.

Task 10 from the Task Order, i.e. "establishing a knowledge management facility that builds an accessible repository of information regarding Afghanistan's agricultural sector" was successfully completed in the previous quarter. Nonetheless ACE continues producing new tools and information pieces in support of the agricultural sector. In the reporting period, the team focused on mapping the exports procedures for fruits and vegetables in Afghanistan. To perform this, ACE contacted several organizations and agencies in Afghanistan such as the Afghanistan customs directorate, the Export Promotion Agency for Afghanistan, One stop shop (at Customs house in Kabul) and individual agents who are involved in the export business, to gather information. The export procedures were presented in a PowerPoint presentation that explains to a newcomer how export procedures for exporting agricultural goods from Afghanistan. These procedures will be posted in the PAYWAND website as a diagram in three languages (Dari, Pashto and English), and the documents and forms that need to be completed and signed will be attached. This document will be shared with MAIL and other related institutions.

The team worked together with lending team to find technical solutions for the implementation of the SMS reminder system for the ADF borrowers. In addition, the team is working on the Agriculture Trade Report for Quarter three 1391, which covers the period from September through December 2012. The report, the 8th in a series, attempts to bridge the trade information gap that agriculture actors might face. The report includes information on agriculture trade flows by commodity, customs house and partner countries. It also provides insight into: 1) major agriculture commodities exported as well as export destinations; 2) major agriculture commodities imported and countries of origin; and 3) characteristics of agricultural trade.

Performance Management - ACE Progress against Targets

In the January–March time period, ACE prepared for the disbursements from the ADF borrowers to the farmers, putting in place tracking mechanisms and hiring two new M&E officers for an initial period of three months to monitor the disbursements to the farmers. This strategy is proving to be very effective and enabled the team to monitor the on-going disbursements of AAIDO in several provinces in the North, the disbursement for Sayed Ahmad Khushakyar in Kandahar, several cash advances to milk suppliers in Herat Province, the disbursements of Nangarhar Nursery Growers Association, Takhar Trader Women Social Association and Ghulghula Agricultural and Livestock Company. The team prepared the loan agreements to register the on-lending from the ADF borrowers to their farmer beneficiaries, discussed them with the client and trained them on how to complete the correct information. In addition, the M&E team worked with the lending advisors and the clients to revise the process in cases when the disbursement was not handled according to the ADF agreement. ACE managed to monitor the disbursements in the field regardless of the security situation, showing an outstanding commitment and performance.



Left: Beneficiaries of Sayed Ahmad Khushakyar in Kandahar province receiving agricultural inputs on credit through an ADF loan of \$500,000 to the company. Right: A farmer in Bamyan receiving raw material for carpet weaving in advance from Ghulghula Agricultural and Livestock Cooperative.

The M&E database houses ACE's 15 performance indicator, which is updated and maintained periodically. While direct beneficiary data is reviewed and updated on a weekly and monthly basis, the rest of the indicators are updated and reviewed quarterly.

Quarterly Results for Q2 FY'13

This section presents ACE's achievements against targets from January 1st to March 31st 2013.

Indicator #1.1- As of March 31st ACE achieved a net total of \$64,723,195 in approved loans, which represents 92.4% of the quarterly target and significantly closing the gap between actual and target of the past quarter. In the reporting period, ACE approved an additional \$15.7 million in loans, significantly higher than \$3 million USD approved in the previous quarter (Q1 FY2013). Nevertheless, ACE is committed to reach quarterly approval targets by June 30th, 2013.

Table 7: Net amount of ADF loans approved and disbursed per Quarter

Quarter	Approved	Disbursed
FY 2011	\$16,746,562	\$9,515,771
Q1 2012	\$19,104,562	\$15,530,721
Q2 2012	\$36,943,562	\$18,917,799
Q3 2012	\$37,212,970	\$21,505,726
FY 2012	\$46,010,957	\$22,319,454
Q1 2013	\$49,010,957	\$22,878,054
Q2 2013	\$64,723,195	\$26,234,451

Even though ACE disbursed \$3.3 million USD to the ADF clients, difficulties with registering clients' collateral in the name of the ADF has delayed the process. Tables No 11 and 12 show ADF loans approved and disbursed per regional command. The map below indicates the amounts of disbursements and direct beneficiaries per province.

Map 1: ADF Disbursement and Beneficiaries per Province



Table 8: Performance Data Q2 FY 2013

Indicator Name and Number	Baseline (date collected)	FY 2011	FY 2012	Q1 FY 2013 (total for this quarter only)*	Q2 FY 2013 (total for this quarter only)*	TOTAL Cumulative figures Q2 2013	Targets for Q2 FY 2013	%	Target for FY 2013	Target for FY 2014
		Actual	Actual	Actual	Actual	Actual	Target			
1.1 Value of finance accessed through lending	0	\$16,746,562	\$46,010,957	\$49,010,957	\$64,723,195	\$64,723,195	\$70,000,000	92%	\$85,000,000	\$85,000,000
Male	0	-	\$45,325,957	\$48,325,957	\$63,501,195	\$63,501,195				
Female	0	-	\$685,000	\$685,000	\$1,222,000	\$1,222,000				
1.1- a Values of Loans Disbursed	0	\$9,515,771	\$22,319,454	\$22,978,054	\$26,846,974	\$26,846,974	\$36,000,000	75%	\$50,000,000	85,000,000
Male	0	-	\$22,164,454	\$22,500,058	\$26,234,437	\$26,234,437				
Female	0	-	\$297,996	\$477,996	\$612,537	\$612,537				
1.2 Number of individuals benefiting from financial agreement	0	8,720	15,233	639	1,269	17,141	28,000	61%	40,000	60,000
Male	0	8,717	15,089	639	1,123	16,851	27,475	61%	39,000	
Female	0	3	144	0	146	290	525	55%	1,000	
1.2 –a Number of individuals benefitting from ACE or ADF financial agreements/ Indirect	0	94,162	101,711	1,280	13,020	116,011	80,000	145%	80,000	120,000
1.3 Percent annual increase in household income by assisted direct beneficiaries	Average \$580 per Household. (Oct,2011)	-	56%	N/A	N/A	N/A	10%	560%	10%	10%
1.4 Net total increase in Full-Time Equivalent (FTE) jobs created by USG sponsored agriculture activities	0	171	856	89	262	1,207	680	178%	1,000	2,000
Male	0	171	749	54	244	1,047	530	198%	800	
Female	0	0	107	35	18	160	150	107%	200	
2.1 Value of challenge/ innovation and agriculture modernization grants app	0	\$737,683	\$1,756,296	\$312,251	\$32,380	2,100,928	\$5,300,000	40%	\$10,000,000	\$20,000,000
Male	0		\$1,592,475	\$165,532	\$32,380	1,790,388				
Female	0		\$163,821	\$146,719	\$0	\$310,540				
2.1- a Value of Challenge/Innovation (ADF) Grants	0	\$607,970	\$783,099	-	-	783,099	\$3,000,000	26%	\$6,000,000	15000000
Male	0	-	\$759,108	-	-	\$759,108				
Female	0	-	\$23,991	-	-	\$23,991				
2.1 -b Value of Agricultural Modernization (ACE) grants approved	0	\$129,713	\$973,197	\$312,251	\$32,380	1,317,828	\$2,300,000	57%	\$4,000,000	\$5,000,000
Male	0	-	\$833,367	\$165,532	\$32,380	\$1,031,279				
Female	0	-	\$139,830	\$146,719	-	\$286,549				

Indicator Name and Number (gender disaggregation)	Baseline (date collected)	FY 2011	FY 2012	Q1 FY 2013 (total for this quarter only)*	Q2 FY 2013 (total for this quarter only)*	TOTAL Cumulative figures Q2 2013	Targets for Q2 FY 2013	%	Target for FY 2013	Target for FY 2014
2.2 Number of participating Financial Intermediaries and Private Intermediaries on-lending funds	0	14	50	0	-1	49	19	258%	22	25
Male	0	-	47	0	-1	46				
Female	0	-	03	0	0	3				
2.3 Number of innovative lending products established by Private Intermediaries (IRs) and Financial Intermediaries (IRs)	0	3	9	0	0	9	4	225%	5	6
2.4 Percentage of loan losses resulting from ACE lending recommendations	0	-	1.32%	3.09%	4.00%	4.00%	<5%	100%	<5%	<5%
3.1 Percentage change in value of exports of Afghanistan agricultural products for firms supported by ACE	\$3,048,355 (Oct,2011)	-	61%	N/A	N/A	N/A	10%	610%	10%	10%
3.2 : Number of loans approved under USAID's Development Credit Authority (DCA) mechanism	0	0	0	0	0	0	1	-	3	4
3.3 Number of public-private partnerships formed as a result of USG assistance (including GDAs)	0	-	-	-	-	-	0	N/A	2	4
4.1 Number of individuals trained by ACE in credit policy and operations, value chain strengthening, and market information sys	0	15	189	40	15	244	75	325%	90	120
Male	0	15	175	27	13	215	60	358%	63	
Female	0	0	14	13	2	29	15	193%	27	
4.2 Number of person hours of training; including formal and practical training and technical visits	0	74	525	196	74	795	380	209%	520	700
5.1 Number of conferences, workshops and other initiatives designed to foster increased credit to the agricultural sector while addressing the value chain constraints	0	5	9	1	1	11	13	85%	15	20
5.2 Number of market information and market intelligence products created and disseminated by the established Knowledge Management	0	13	25	5	1	31	33	94%	38	50

* All indicators are expressed quarterly net, except for indicators 1.1 and 1.1(a) which are always expressed in cumulative figures.

Table 9: ADF Direct and Indirect Beneficiaries

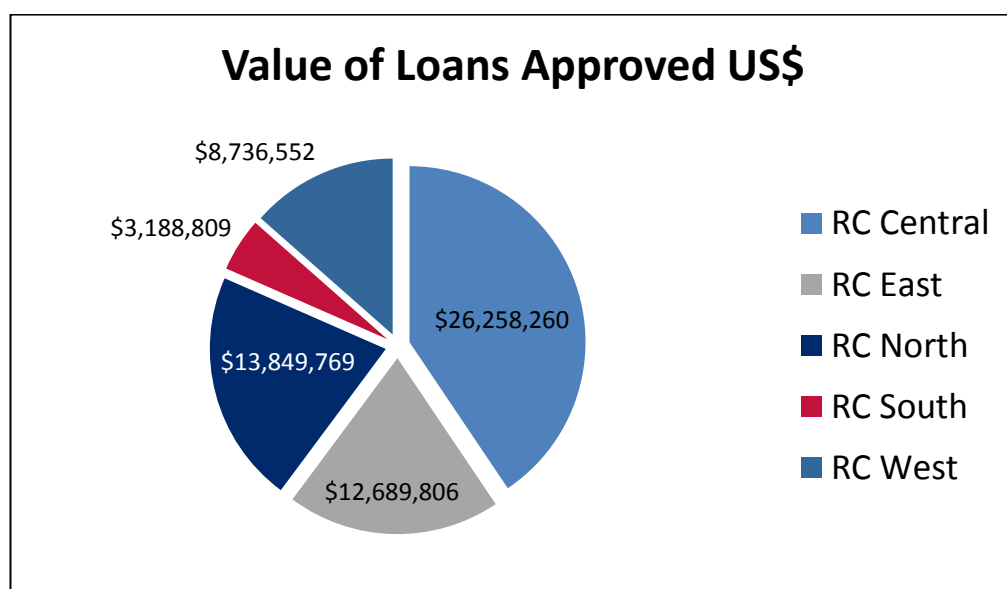
ADF LOANS		Direct Beneficiaries			Indirect Beneficiaries		
No	BORROWER	Approved	Disbursed to FIs	Disbursed to End Borrowers	Approved	Disbursed to FIs	Disbursed to End Borrowers
1	Advance Building System	-	-	-	300	300	300
2	Javed Afghan Wheat Thresher Company	-	-	-	8,000	8,000	8,000
3	Sanaizada Edible Oil Extraction	-	-	-	600	600	500
4	Hamid Flour Mill	-	-	-	125	125	125
5	Kunar Farm Service Store (Muhamand Arab Ltd.)	625	625	625	-	-	-
6	Helmand Farm Service Store	1,364	1,364	1,364	-	-	-
7	Osiyo Hamkorlik	-	-	-	250	250	250
8	Season Honey	-	-	-	300	300	300
9	Dr. Abdul Wakil Farmers Association	-	-	-	52	52	52
10	Sayed Jamal Flour Mill	2,000	2,000	1,625	-	-	-
11	Samsoor Ban	-	-	-	4,500	4500	4,500
12	Javed Afghan Wheat Thresher (2nd)	570	570	109	8,170	8,170	8,170
13	Yaqoobzada	-	-	-	250	250	250
14	Advance Building System (2nd)	-	-	-	230	230	230
15	RANA Seeds Company	-	-	-	177	177	177
16	Hariwa Habibzadah Company	-	-	-	110	110	110
17	Habib Omid	600	600	600	-	-	-
18	Tyoran Ayobi	-	-	-	2,500	2,500	2,500
19	Ghoryan Women Saffron Association	117	117	117	-	-	-
20	Kunar Farm Service Store (2nd loan)	688	688	688	-	-	-
21	Logar Farm Service Store	-	-	-	-	-	-
22	Qarizada Tomato Paste	800	800	780	1,000	1,000	1,000
23	Salahe Dekundiwal Brothers Agro Productions and Services Company	-	-	-	10	10	10

No	BORROWER	Approved	Disbursed to FIs	Disbursed to End Borrowers	Approved	Disbursed to FIs	Disbursed to End Borrowers
24	Helmand FSC (2nd Loan)	-	-	-	-	-	-
25	Laghman FSC	645	645	438	-	-	-
26	Afghan Rice Mill	219	219	219	500	500	500
27	Apple Association	-	-	-	-	-	-
28	Ghulam Dastagir Food Production Company	-	-	-	-	-	-
29	Sayel Food Processing Company	-	-	-	50	30	30
30	Taje Telayee Development Poultry Farm Cooperative	8	8	2	-	-	-
31	Nangarhar Nursery Growers' Association (NNGA)	20	20	18	40	40	40
32	Rabia Mariam Handicraft Company (RMHC)	-	-	-	2,000	2,000	2,000
33	Dr. Abdul Wakil Farmers Association (2nd	-	-	-	-	-	-
34	Kapisa Farm Service Center	200	200	160	-	-	-
35	Tanin Herat Industrial Food Company	70	70	53	-	-	-
36	Takhar Trader Women Social Organization	150	150	145	-	-	-
37	Ghulghula Ag. and Livestock Co-op	1,500	1,500	-	-	-	-
38	Sayed Ahmad Khushakyar	600	600	145	-	-	-
39	Dehqan Roz	200	200	-	-	-	-
40	Herat Ice Cream	800	800	99	1,200	1,200	600
41	Heri Biscuit	200	-	-	-	-	-
42	Sodais Saud Trading Co	400	-	-	500	-	-
43	Tokhe Oil Producing Co.	-	-	-	100	-	-
44	Hafiz Ebad Wool Mill and Carpet Production Company	-	-	-	1,050	-	-
45	Fine Food Factory	-	-	-	30	-	-
46	Momen Khan Ag Input Company	250	-	-	1,500	-	-
47	Afghanistan Social Poultry and Animal Farmer Association	20	-	-	45	-	-

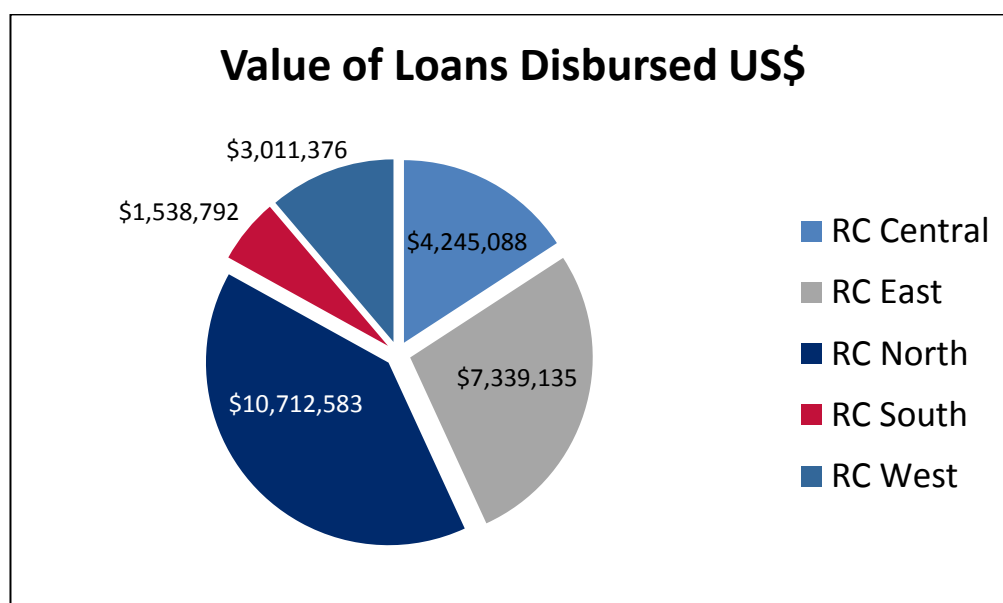
48	Shoib Faisal Rice Processing Company	600	-	-	1,500	-	-
49	Nangarhar Edible Oil Processing Company	2,000	-	-	1,100	-	-
50	Hussianzada Ltd	3,100	-	-	-	-	-
51	Jawid Kohnawardan Company Limited	-	-	-	80	-	-
52	Sadiq Mateen Afghan Company Ltd	-	-	-	-	-	-
53	Jawid Afghan Wheat Threshers Manufacturing Company	-	-	-	12,000	-	-
54	Motmaheen Agricultural and Livestock Retailing Association	837	-	-	4,400	-	-
55	Herat Capable Women Association	20	-	-	1,255	-	-
56	Rawnaq Agricultural and Livestock Cooperative	-	-	-	25	-	-
57	Uddin Wardak Wool Washing and Carpet Company	10	-	-	2,000	-	-
58	Mustafa Jamal Flour Mill	214	-	-	-	-	-
59	Farah Gostar Ltd	200	-	-	-	-	-
60	Hamesha Bahar Company	30	-	-	100		
61	Amin Karim Carton Manufacturing Factory	-	-	-	-	-	-
62	Stan Gul Poultry Farm	15	-	-	-	-	-
63	Raqib Plastic Packaging Complex	-	-	-	6	-	-
64	Herat Delta Industrial Packaging Company	20	-	-	-	-	-
SUB-TOTAL Agribusinesses		19,092	11,176	7,187	56,055	30,304	29,644
65	Afghanistan Almond Industry Development Organization	212	212	212	-	-	-
66	Eastern Region Fruit Growers Association	1,845	1,845	1,845	-	-	-
67	Durukhshan Bamyān Co-op	15	15	15	-	-	-
68	Kawe Tajik Bamyān Co-op	47	47	47	-	-	-
69	Koh-e-Baba Bamyān Co-op	10	10	10	-	-	-
No	BORROWER	Approved	Disbursed to FIs	Disbursed to End Borrowers	Approved	Disbursed to FIs	Disbursed to End Borrowers

70	Shahemardan Bamyan Co-op	59	59	59	-	-	-
71	Katway Bamyan Co-op	155	155	155	-	-	-
72	Shanbul Bamyan Co-op	74	74	74	-	-	-
73	Khwaja Sabz Posh Bamyan Co-op	22	22	22	-	-	-
74	Afghanistan National Seed Organization	4,140	4,140	4,140	86,087	86,087	86,087
75	Exporters' Loan (AAIDO)	5	5	-	400	280	280
76	Afghanistan Almond Industry Development Organization	1,754	787	1,687	-	-	-
77	Bamyan cooperatives	700	525	525	-	-	-
78	ANSOR, Afghanistan National Seed Organization – 2012	4,351	-	-	-	-	-
79	Farm Service Center Association of Afghanistan (FSCAA)	1,400	-	-	-	-	-
80	Khalifa Sahib Agricultural and Livestock Cooperative	137	-	-	-	-	-
81	Afghan Women Saffron Growers' Association	70	-	-	950	-	-
82	Bamyan Cooperatives 2013 (Third loan)	1,236	-	-	-	-	-
SUB-TOTAL NFI		16,232	7,896	8,791	87,437	86,367	86,367
83	Islamic Investment and Finance Cooperative Group	1,137	1,137	1,137	-	-	-
84	BRAC Bank	-	-	-	-	-	-
85	Afghan Growth Finance (AGF)/SEAF	181	-	-	34,200	-	-
86	Islamic Investment and Finance Cooperative Group	3000	-	-	-	-	-
SUB-TOTAL FI		4,418	1,137	1,137	34,200	-	-
GRAND TOTAL		39,642	20,209	17,115	177,692	116,671	116,011

Graph No 5: ADF Loans Approved by per Regional Command



Graph No 6: ADF Loans Disbursed by per Regional Command



Indicator #1.2 – In the last quarter, ACE monitored disbursement of six intermediaries to 1,309 farmers (see Table no. 10 below).

Data Review: After several attempts and the security constraints encountered in Wardak province, the team was not able to verify the farmer beneficiaries of Dr. Abdul Wakil Farmers Association. Therefore, the direct beneficiaries of this client (a total of 49 farmers) were eliminated from the M&E database. By definition, the agribusinesses not involved in on-lending are counted towards indicator #1.2 “number of individuals benefiting from financial agreement”. Therefore, the total net beneficiaries achieved in this quarter consists of 1,309 new farmers – 49 (beneficiaries of Dr. Abdul Wakil) + 9 new agribusiness = 1,269. The total number of beneficiaries (cumulative) consists of 17,115 farmers and 26 agribusinesses. This brings the total number of individuals benefiting from ACE financial agreements to 17,141.

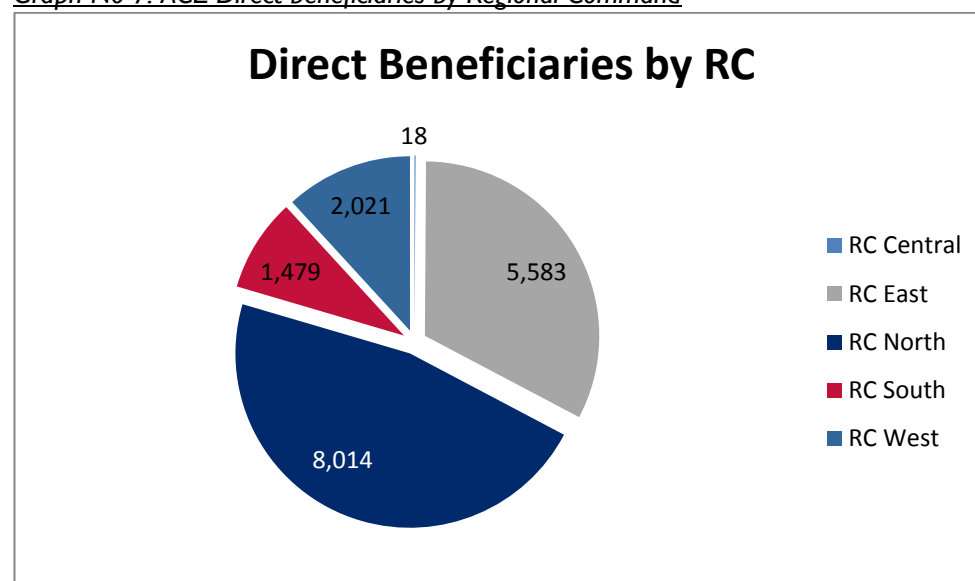
Table 10: New Direct beneficiaries achieved in Q2 FY'13 (without the eliminated farmers of Dr. Abdul Wakil Farmers Association)

No.	Company	Direct beneficiaries	Male	Female
1	Nangarhar Nursery Growers' Association (NNGA)	18	18	0
2	Taje Telayee Development Poultry Farm Cooperative	2	2	0
3	Herat Ice Cream	99	99	0
4	Sayed Ahmad Khushakyar	145	145	0
5	Afghanistan Almond Industry Development Organization	900	900	0
6	Takhar Trader Women Social Organization	145	0	145
	TOTAL	1,309	1,164	145

Table 11: Direct Beneficiaries per Regional Command (cumulative from the beginning of the project)

Region	Direct Beneficiaries	Male	Female
RC - Central	18	18	0
RC - East	5,583	5,565	18
RC - North	8,014	7,861	153
RC - South	1,479	1,479	0
RC - West	2,021	1,904	117
TOTAL	17,115	16,827	288

Graph No 7: ACE Direct beneficiaries by Regional Command



As shown in the graph, the majority of the direct beneficiaries are located in the northern and eastern regions, which are very active in wheat and rice production as well as fresh and dried fruit. In the next quarter, ACE expects to catch up with the number of direct beneficiaries in the Western region through several new loans.

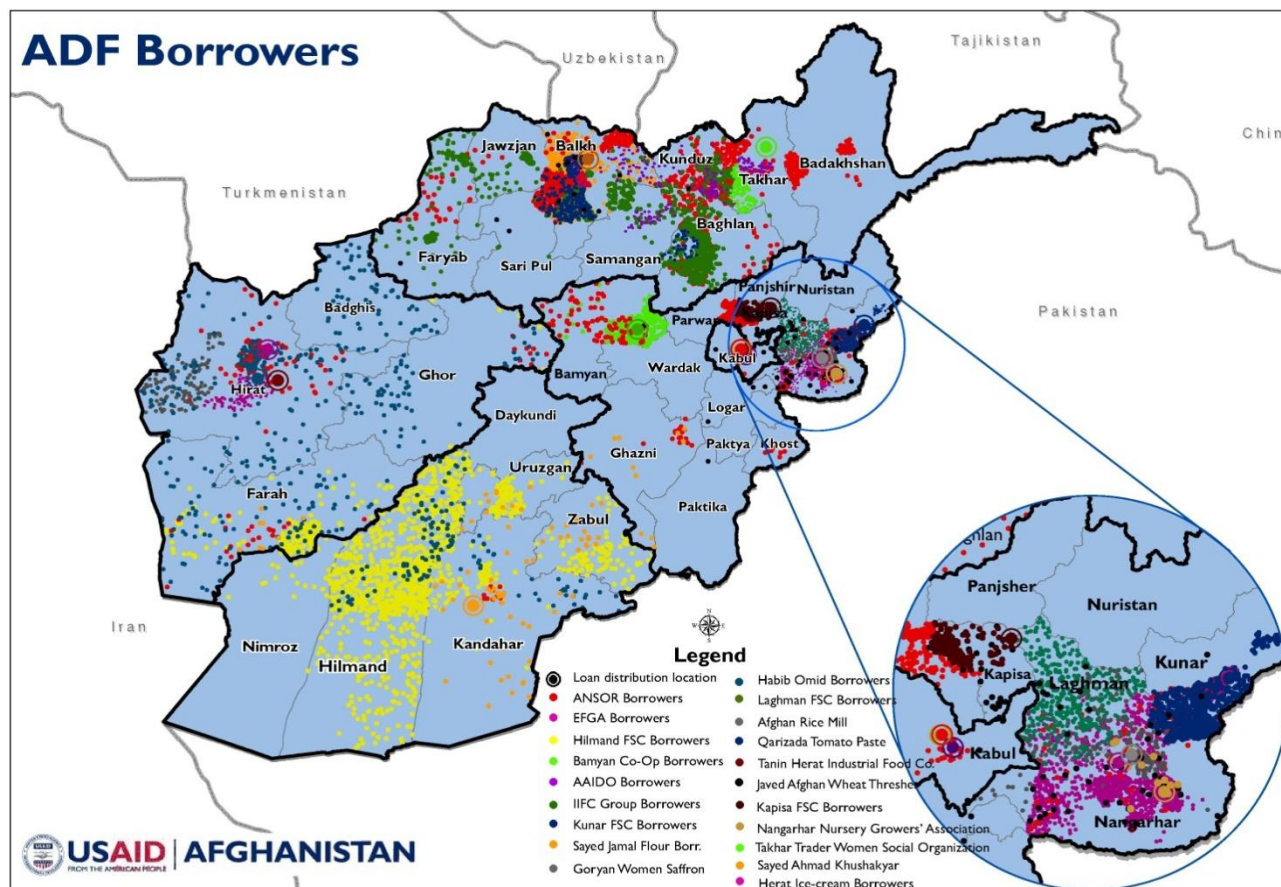
Table 12: ACE/ADF approved and disbursed loans per Regional Command

Region	Loan Approved (\$)	Loan Disbursed (\$)	Beneficiaries
RC Central	\$26,258,260	\$4,245,088	18
RC East	\$12,689,806	\$7,337,179	5,572
RC North	\$13,849,769	\$10,712,583	8,014
RC South	\$3,188,809	\$1,543,141	1,500
RC West	\$8,736,552	\$3,008,983	2,011
TOTAL	\$64,723,195	\$26,846,974	17,115

The Performance Indicator Data Sheet (Table No.8) shows the ACE quarterly accomplishments and the current cumulative actual performance against quarterly and annual targets. Below are some of the reasons ACE could not fully achieve the quarterly targets for indicators #1.1; #1.2 and #2.1.

- The delays with the ADF registration created a gap between ADF loans approved and targets in the previous quarter. Even though ACE organized six ADF Credit Committee meetings and approved 28 new loans worth of \$15.7 million USD in the past three months, the team could achieve only 92.4 percent of the target. This is the closest gap between achievements and targets the project has had in the past year. Since the challenges presented to the legal establishment of the ADF are now resolved, ACE is committed to achieving the target of \$80 million USD in approved loans in the next period.
- The ADF disbursed \$3.3 million USD in the last quarter. The team is now focusing on completing documentation for every loan such as verified and registered collateral, before the disbursement to the ADF borrowers. This has delayed the completion of the loan documentation, a prerequisite to the loan disbursement and the team in the regional offices and the headquarters in Kabul, is working to facilitate the process. As of the end of March 2013, there are 28 loans pending disbursement, once processed the project will meet its disbursement target of June 2013.
- The relatively slow pace in disbursement affected the number of direct beneficiaries. As indicated in Table no. 9 of direct and indirect beneficiaries, once the approved loans are disbursed, ACE will be over 39,000 farmers, which is above the target of 36,000 farmers for the next quarter (Q3 FY13).
- ACE continues with its conservative approach towards signing new ADF grant agreements. The ADF challenge grants typically are used to support larger financial and non financial intermediaries and ADF borrowers. However, most of the newly approved clients are agribusinesses and the team is currently working on seven new ACE Agricultural modernization grant proposals that will be discussed and decided upon in the next quarter.

Map 2: ADF Direct Beneficiaries per Province



Indicator #1.3 - Percentage increase in income by assisted farms and agribusinesses is an annual indicator which, as per PMP and the Annual Work Plan 2, will be next reported in FY 2013.

Indicator #1.4 - During this quarter, the number of new jobs created expressed in Full-Time Equivalent is 262. This increase counts for the new jobs created comprising full time, part time and seasonal jobs, of which 7 percent target women.

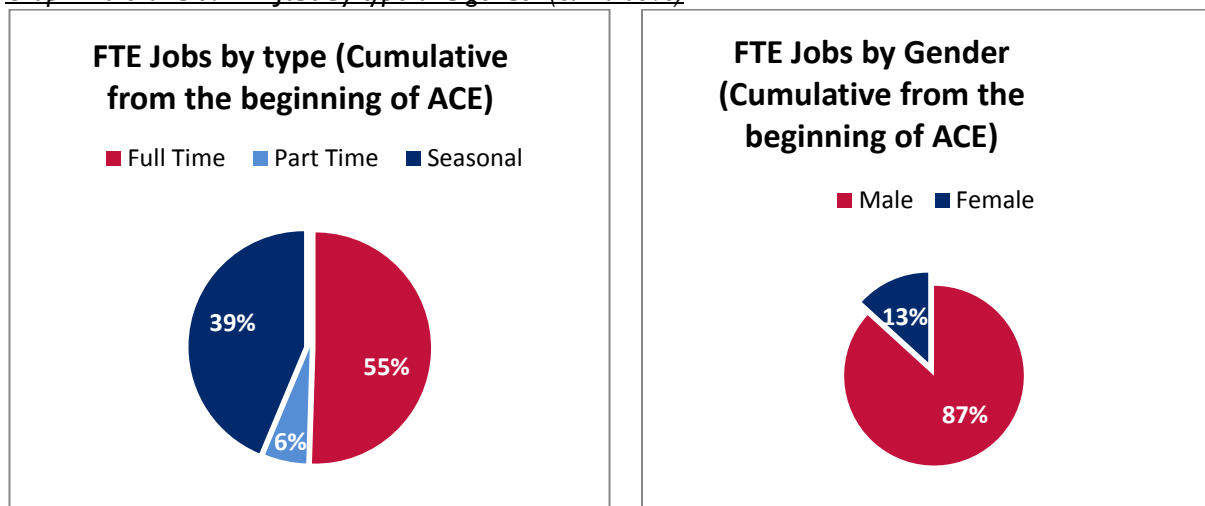
Table 13: New FTE Jobs Created in Q2 FY 2013

No	Type of FTE Jobs	Male	Female	TOTAL
1	Full Time Jobs	85	0	85
2	Part Time Jobs	14	0	14
3	Seasonal Jobs	145	18	162
TOTAL		244	18	262

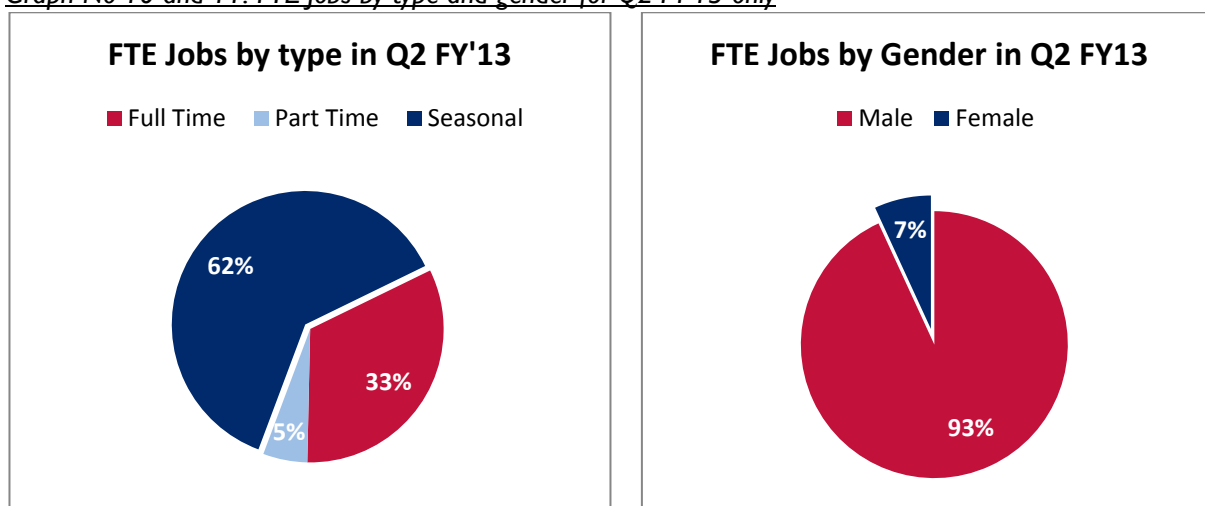
Table 14: FTE Jobs Created by ACE (cumulative)

No	Type of FTE Jobs	Male	Female	TOTAL
1	Full Time Jobs	517	92	609
2	Part Time Jobs	71	0	71
3	Seasonal Jobs	460	67	527
TOTAL		1,047	160	1,207

Graph No 8 and 9: FTE Jobs by type and gender (cumulative)



Graph No 10 and 11: FTE Jobs by type and gender for Q2 FY'13 only



Indicator #2.1– In quarter 2 FY'13 ACE approved a new ACE Agricultural Modernization Grant for Qarizada Tomato Paste Production Company for \$32,380 USD. See Table I in Grants Section.

Indicator #2.2 – Number of participating FIs and Pls on-lending funds: For this quarter, ACE has two new participating intermediaries, Herat Ice Cream and Sayed Ahmad Khushakyar which benefited respectively 99 and 145 farmers.

Data Review: In the past quarter, the team was unable to verify the direct beneficiaries of the Logar Farm Service Center, Apple Association and Dr. Abdul Wakil Farmers Associations despite the multiple attempts with field verification. Therefore, ACE eliminated their direct beneficiaries from the list in the previous quarter and the reporting one. This action requires that these three ADF clients be eliminated from the list of participating intermediaries. Therefore, participating intermediaries as of this quarter stand at a total of: Pls = 50 (reported in the last quarter) – 3 (the eliminated ones) +2 (Herat Ice Cream and Sayed Ahmad Khushakyar) = 49.

During this reporting period, ACE approved several loans that will benefit direct farmers and therefore will be counted towards “participating intermediaries” once their disbursement to the end borrowers is complete. The table below indicates the ADF borrowers which will on-lend to the farmers in the

next quarter and therefore will be counted as 'participating intermediaries' once the processes is concluded satisfactorily and verified.

Table 15: New participating intermediaries to be counted once the loans are disbursed to end-beneficiaries.

No.	Intermediary	Expected Direct Beneficiaries	Approval Time
1	Farm Service Center Association of Afghanistan (FSCAA)	1,400	Q1 FY2013
2	Heri Biscuit	200	Q2 FY2013
3	Sodais Saud Trading Co	400	Q2 FY2013
4	Momen Khan Ag Input Company	250	Q2 FY2013
5	Afghanistan Social Poultry and Animal Farmer Association	20	Q2 FY2013
6	Shoib Faisal Rice Processing Company	600	Q2 FY2013
7	Nangarhar Edible Oil Processing Company	2,000	Q2 FY2013
8	Hussianzada Ltd	3,100	Q2 FY2013
9	Motmaheen Agricultural and Livestock Retailing Association	837	Q2 FY2013
10	Herat Capable Women Association	20	Q2 FY2013
11	Uddin Wardak Wool Washing and Carpet Company	10	Q2 FY2013
12	Mustafa Jamal Flour Mill	214	Q2 FY2013
13	Farah Gostar Ltd	200	Q2 FY2013
14	Hamesha Bahar Company	30	Q2 FY2013
15	Stan Gul Poultry Farm	15	Q2 FY2013
16	Herat Delta Industrial Packaging Company	20	Q2 FY2013
17	Khalifa Sahib Agricultural and Livestock Cooperative	137	Q2 FY2013
18	Dehqan Roz	200	Q4 FY2012

Indicator # 2.4 – Currently the ADF default rate is at 4.00 percent, with all the loans being repaid on schedule except for few of them. (See Annex I for detailed information).

Indicator # 3.1 – As per the approved PMP and Annual Work Plan 2, the percentage change in export sales for firms supported by ACE will be reported next in FY2013.

Indicator #4.1 – In the last quarter, ACE trained a total of 15 participants from ADF borrowers and ACE staff including one woman. (See table below)

Table No 16: Training provided by ACE in Quarter 2FY13

No	TOPIC	# of Participants	Location	Start	End Date	Hours
1	Developing Management Skills	1	Dubai, UAE	24-Feb-13	28-Feb-13	40
2	Internal Audit and Control	3	Kabul	19-Feb-13	21-Feb-13	15
3	Grants Management and Report Writing Training	11	ACE, Kabul Office	15-Jan-13	26-Feb-13	19
TOTAL		15				74

Indicator # 4.2 –ACE provided 74 hours of training in three topics, management skills, internal audit and control and grants management and report writing.

Indicator #5.1 – In the past quarter ACE, in collaboration with the Rana Seeds Company, an ADF client, organized a workshop on soybean value chain in Jalalabad on January 6th. This is the only activity organized during Q2 FY'13 that will be counted towards this indicator in the reporting period.

Indicator # 5.2 – The ACE MIS unit launched one new market information product in the last quarter; the agricultural export procedure map. This document consists of an export procedure diagram that explains every step of the process and includes a direct link to the relevant application form. The product will be disseminated through www.paywand.mail.gov.af.

Table 17: List of the marketing information products launched in the reporting quarter

No.	Product	Type of Market Information Product	Type of Dissemination	Date of launching
I	Fresh and Dried fruits, Exports procedures	Agriculture Export Procedure map	ACE / MAIL	Mar 20, 2013

Sex-disaggregated Data: Actual versus Targets

As of Quarter 3 FY12, ACE set self-imposed targets for male and female beneficiaries moving forward for three indicators. Below are the indicators on direct beneficiaries, jobs creation (in FTEs) and number of people trained disaggregated by sex. These targets are presented in the Annual Work Plan for option year 2.

Table No 18: Sex-segregated Indicators with self-imposed targets

ACE Performance Indicators	Actual Q2 FY2013 (Cum.)	Target Q2 FY2013 (Cum.)	Percentage % Achieved
1.2 Number of individuals benefitting from ACE or ADF financial agreements	17,141	28,000	61%
Male	16,851	27,475	61%
Female	290	525	55%
1.4 Net total increase in Full-Time Equivalent (FTE) jobs created by USG sponsored agriculture activities	1,207	680	178%
Male	1,047	530	198%
Female	160	150	107%
4.1 Number of individuals trained by ACE in credit policy and operations, value chain strengthening, and market information system.	244	75	325%
Male	215	60	358%
Female	29	15	198%

ACE met and exceeded the gender-based targets on the number of jobs created, and # of individuals trained. However, it did not meet the target set for female direct beneficiaries due to the delays in disbursements cause by new policies and procedures which aim to consolidate the ADF credit administration unit, such as collateral transfer to the ADF, etc. These factors delayed several disbursements to the ADF borrowers, which subsequently led to delays in on-lending to farmers. This impacted the ratio between male/female beneficiaries.

In accordance with the request of the COR, ACE will report gender-disaggregated data on four additional indicators, starting in Quarter 3, FY2012. The table below shows the gender-segregated data the four additional indicators.

Table No 19: Sex-segregated Indicators without targets Q2 FY 2013

ACE Performance Indicators	Q1 FY 2013	Q2 FY 2013
1.1 Value of Finance Accessed		
Male	\$49,010,957	\$64,723,195
Female	\$48,325,957	\$63,501,195
Female	\$685,000	\$1,222,000
2.1 Value of Challenge/Innovation and Agriculture modernization grants approved.	\$2,068,547	\$2,100,928
Male	\$1,592,475	\$1,790,388
Female	\$163,821	\$310,540
2.2 Number of participating financial intermediaries and private intermediaries on lending funds from ADF	50	49
Male	47	46
Female	3	3

Communication and Outreach

In the past quarter, the ADF made the international news. Two articles appeared in [The Guardian UK](#) and [Islamic Finance News](#), while a third one written by [Reuters](#) was published by over 17 media outlets in 13 countries, including [The Chicago Tribune](#). The article in [Reuters](#) said “While customers

already knew of Islam's prohibition on interest, borrowers had to be educated about other principles including the fact that non-payment by a solvent borrower is a sin,” Juan Estrada-Valle was quoted in the piece.



The team published three ADF news briefs on “Strengthening Farm to Market Linkages”, “Tangy Tomato Paste from Afghanistan” and “Plucking Money from the Poultry Value Chain.” These briefs focused on the linkages between farmers and processing companies such as Afghan Rice Mill in Jalalabad that used an ADF loan to purchase paddy from farmers, on a tomato paste company client of the ADF and the poultry value chain supported through ADF loans.

ACE organized two Agricultural Credit Shuras in the provinces of Herat and Paktika during the past quarter. The purpose of these events is to take the ADF on the road and introduce the financial

opportunities in every province. The ACE team in Kandahar participated in the “Business to Bank roundtable organized by FAIDA and introduced the ADF financial products, whereas the team also attended the DAIL meetings in Kabul in collaboration with other development projects. The ADF participated with several booths in the Farmers’ day celebration organized in Kabul, Herat, Jalalabad and Mazar-e-Sharif as well as in Herat which ensured not only visibility, but provided an opportunity to

meet agribusiness and agricultural entrepreneurs and



فقد توسعه زراعت
Agricultural Development Fund ADF



NEWS BRIEF
FEBRUARY 2013

TANGY TOMATO PASTE FROM AFGHANISTAN



The modernization of Afghan agro industry constitutes a priority for the Government of the Islamic Republic of Afghanistan. It is also a necessary condition to generate demand for agricultural products, which will introduce incentives to increase production and harmonize produce quality. The Agricultural Development Fund provided a loan to Qarizala Tomato Paste Company, an enterprise established in 2007 and one of the largest food processing companies in northern Afghanistan.

The ADF loan is enabling the company to increase processing capacity to meet growing market demand. This is being achieved through a three pronged approach: a) financing the procurement of a boiler that will reduce the reliance of the company on diesel generated electricity, b) increasing the capacity of the company to produce its own tin cans, thereby replacing imports from China and Pakistan, and c) improving food safety while mechanizing the production process.

As a result of the loan the companies will increase its output from 55,000 to 28,000 800g cans per day, which will translate in increased demand for 55,400 metric tons of tomatoes, directly engaging an estimated 800 farm households.

In addition to the loan, the ADF is providing the company with technical assistance in quality control and marketing, thereby increasing the likelihood of success of the enterprise.

This ADF loan constitutes a clear example of how finance is being used to cement the links in the agricultural value chain, supporting inclusive and sustainable agricultural development.

Since 2010 the ADF processed loans worth 2.72 billion Afghani (\$54.6 million USD) and disbursed 3.25 billion Afghani (\$35 million USD) to over 55,000 rural households in 30 provinces of Afghanistan.

The ADF was established by the Government of the Islamic Republic of Afghanistan with the support from the United States Government.



فقد توسعه زراعت
Agricultural Development Fund ADF



NEWS BRIEF
MARCH 2013

PLUCKING MONEY FROM THE POULTRY VALUE CHAIN



Ministry of Agriculture, Irrigation and Livestock (MAIL) is contributing to strengthen key agricultural value chains in Afghanistan, through the Agricultural Development Fund (ADF).

Over 45 percent of the chicken consumed in Afghanistan is imported from places as far as Brazil. A trader in the western city of Herat saw this as an opportunity and in 2007 established a slaughterhouse and freezing plant for chicken with the capacity to process 250,000 birds per month.

Initially 100 percent of his supply came from somewhat disorganized purchases from small scale poultry growers, and 3 farms owned by the company, with a total output of 40,000 birds per month.

The company later established a mother stock farm and a hatchery with the capacity to ultimately match the processing capacity of the slaughterhouse, however due to insufficient capacity at the broiler farms, the company had resorted to sell day-old chicks, while underutilizing the slaughterhouse and freezing plant.

A loan from the ADF enabled the company to increase the production of family owned farms to 58,000 broilers per month, a 47 percent increase. The increase in the scale of the farms and in the utilization of the slaughterhouse resulted in the creation of 22 full time jobs, while positioning the company as the single largest producer of frozen chicken in Herat province.

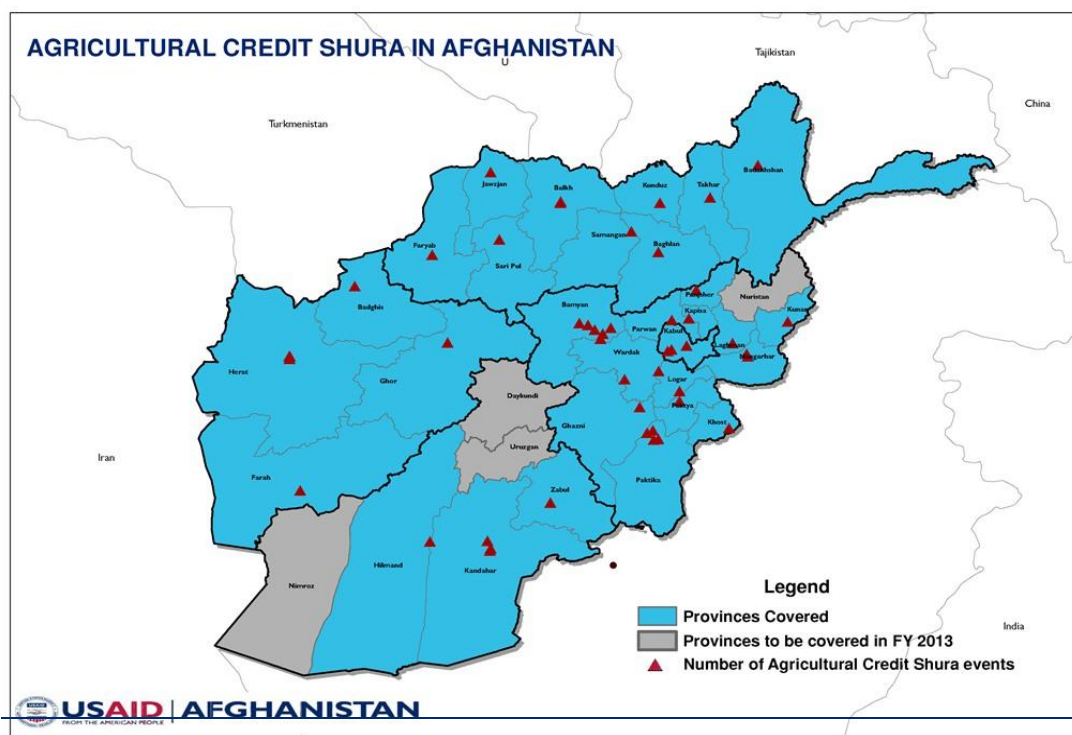
The company distributes whole chickens, and quarters through a network of retailers in Herat City, while also supplying wedding halls and restaurants.

The company owner is one of over 16,000 farmers and agribusiness entrepreneurs that have had access to finance through the ADF.

The ADF was established through a \$100 million grant provided by USAID to the government of the Islamic Republic of Afghanistan and is successfully filling the gap that limited farm and non-farm agricultural investments.

inform them on ADF financial products. The ACE team participated in a radio program on agriculture on Radio Salam Watandar to discuss the ADF, its establishment and the loan application procedures. The lending advisor discussed the structure of Islamic financial products as well as the services provided by the Customer Service Center at MAIL. ACE also plans to launch a series of radio and TV interviews to present the ADF lending opportunities and application procedures and is discussing the prospect of supporting one of the Farmer Talk Shows for the rest of year with Radio Salam Watandar.

Map No3 : Agricultural Credit Shura events organized by ACE



Administrative and Human Resources

In the last quarter, ACE hired one lending officer for the Kabul office, a new grant coordinator, one legal consultant to assist the ADF with issues such as ADF borrowers' contract, collaterals, guarantees and types of title deeds. In addition, the team hired two new M&E officers for the Northern and Western region that will primarily be involved in monitoring disbursement to the end-borrowers and conduct field verifications.

Grant Norris and Edmundo Ballivian joined the team in the capacity of lending advisor and finance management specialist. Robert Dressen joined the project in two separate assignments in February and in March, first to fill in for the COP and in the latter to discuss the opportunities to conduct a feasibility study for the establishment of the agricultural bank with MAIL and USAID representatives.

Table 20: Afghan National personnel deployed during Quarter 2 FY2013

No.	Name	Position	Start Date
1	Shehzad Ahmad Noorzay	Lending Officer	20-Jan-13
2	Sayed Kabir Sadat	Grants Coordinator	21-Jan-13
3	Sadudin Haziq	Legal Consultant	1-Jan-13
4	Mohammad Ramin Essa	Logistics Specialist	28-Jan-13
5	Sayed Khalid Sadat	Translator	27-Jan-13
6	Shakeb Herayzad	Short-term M&E officer -Western Region	10-March-13
7	Qais Ekrami	Short-Term M&E officer- Northern Region	12- March-13

Table 21: Expatriate personnel deployed during Quarter 2 FY2013

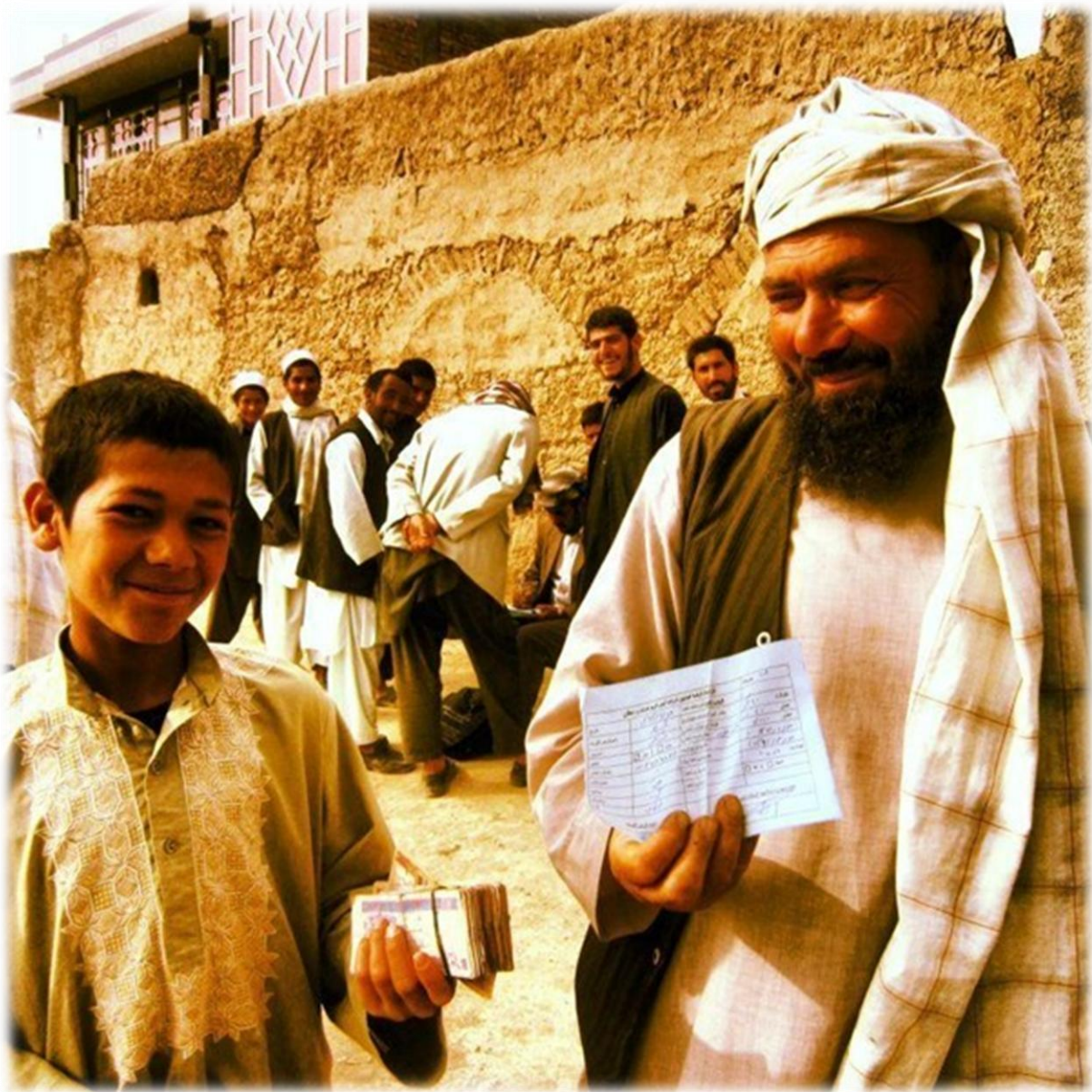
No.	Name	Position	Start Date
1	Grant Norris	Lending Advisor	9-Jan-13
2	Edmundo Ballivian	Finance Management Advisor	13-Jan-13
3	Robert Dressen	DAI, Global Practice Leader	9-Feb-2013

ACTIVITIES FOR THE NEXT QUARTER

In the next quarter, ACE aims to focus several areas:

- 1) Institutional consolidation of the ADF – To achieve this, the team will support the strengthening the roles and responsibilities of the ADF High Council, initiating the transition between ACE and ADF, avoiding political influence over ADF decision making; and attracting new capital. This will include establishing an ADF finance department, assigning separate roles and responsibilities and adopting changes to the MicroBanker software.
- 2) Controlling the repayments through following the credit administration procedures, maintaining a close relationship with the client, conducting field visits and sending frequent reminders on the upcoming ADF repayments.

- 3) Organizing the next ADF High Council meeting to discuss engaging new human capital and hosting the first gender working group with the implementing partners of the Office of Agriculture (OoA).
- 4) Assist the DAI-team with technical and logistical support to carry out the feasibility study for the Agricultural Bank in Afghanistan.



SAYED NABI AND HIS SON, FROM MURGHAB VILLAGE OF GUZURA DISTRICT IN HERAT, RECEIVED A LOAN FROM HEART ICE CREAM. HERAT ICE CREAM IS AN ADF CLIENT CURRENTLY BENEFITING FROM A \$1.3 MILLION USD LOAN TO PURCHASE EQUIPMENT AND FLUID MILK FROM FARMERS.

ANNEX I – Percentage of Loan Losses Resulting from ACE Lending Recommendations

SN	Name of Business	Province	District	Amount (\$)	Type of Business	Start Date	End Date	Actual Amount Disbursed	Expected Value (\$) to date	Actual Value (\$) to date	% repaid for individual loan	Percentage Loss
Clients Sensitive Information												
TOTAL Loan Approved				66,576,763.00								
TOTAL Loan Disbursed				26,846,975.00								
TOTAL Loan Repaid				14,904,276.00								
TOTAL Value of Loans late by 180 days or more				\$478,048.50								

$$\text{Portfolio loan losses} = \frac{\text{Total Value of loans late by 180 days or more}}{\text{Outstanding*}} \% = \frac{478,048.50}{26,846,975 - 14,904,276} \% = \frac{478,048.50}{11,942,699} \% = 4.00\%$$

*Outstanding = Disbursed amount – Repaid amount